# FINANCIAL TIMES



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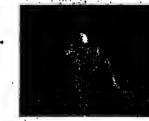
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TUESDAY AUGUST 6 1996

# Mostar as Croats Dole proposes \$5486n in tax cuts refuse to move

The European Union was last night on the brink of abandoning its two-year mission to re-unify the town of Mostar after Croats refused to accept the results of city elections which they lost to their Bosnian Moslem rivals. Interna-tional mediator Carl Bildt said the EU should not make any concessions: "We are not in the deadline extension business. It is a matter of principle and we cannot give in." Page 12; Editorial Comment, Page 11

UBS raises income by a third: Union Bank of Switzerland, the country's biggest banking group, increased first-half net income by a third to SFr1.1bn (\$920.3m) with a surge to prof-its from its trading and investment banking operations. Page 12; Lex. Page 12; World stocks,

Strong air traffic growth forecast: Passenger traffic on Europe's big airlines is expected to grow by 6.4 per cent a year for five years, marginally up on long-term forecasts, the Association of European Airlines said. Page 2

Turkish army expels Moslems: The strongly secular Turkish army expelled 13 soldiers for "reactionary activities", a euphemism for propagating Islamic fundamentalism in the ranks. Page 2

Pearson sells Westminster Press: Information, publishing and entertainment group Pearson announced the sale of its Westminster Press newspaper business to Newsquest Media Group, backed by US financiers Kohlberg Kravis Roberts, for £305m (\$476m). Page 13; Details, Page 17; London stocks, Page 28

Austrians oppose Nato membership: A majority of Austrians is opposed to joining Nato, but thinks it will happen anyway, a poll in the Vienna daily Der Standard shows.

HSBC first-half profits climb: City analysts upgraded their forecasts for HSBC after the international banking group raised first-half profits by more than a third to £2.32bn (\$3.6bn). Page 13; Loudon stocks, Page 28

Malaysia threatens import controls



The Malaysian governent warned that controls might imposed if a governient-sponsored volunary restraint scheme fled to cut the couneficit. Prime minister in util tr Mohamad Deft) said quotas and The It permits might be introduced to curb

imports of non-essential goods. His warning comes as several east Asian countries, including Thailand and South Korea, are experiencing a slowdown in export growth rate this year after enjoying rapid expansion. Page 12

Beifast march re-routed: The Royal Ulster Constabulary re-routed a Protestant Apprentice Boys parade through Belfast, raising hopes that nationalists in Londonderry might drop objections to a bigger Londonderry march on the same day. Page 6

US Healthcare groups combine: Californian healthcare company PacifiCare Health Systems acquired FHP International, also of California, for \$2.1bn to create the US's fifth largest healthcare organisation. Page 13: Details, Page 16

Burma dismisses US economic report: Burma's military junta described as politically motivated a US report that Burma's economic growth had been widely overstated. Page 3; Burma hits back at European beer companies. Page 5

Buenos Aires mayor walks into row: Fernándo de la Rúa of Argentina's opposition Radical party today becomes the first elected mayor of Buenos Aires amid arguments over how much antonomy the capital should have.

Death penalty sought for Chun: South Korean prosecutors asked that former president Chun Doo-hwan be sentenced to death and his successor, Roh Tae-woo, receive life imprisonment for alleged sedition. Page 3

FT.Com: the FT web site provides online news

comment and analysis at DILL	://www.r-1.com
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New York brachtime Dow Jones Ind Av5,689.08 - (+8.25) NASDAQ Composits _1,126.76 (+3.84)	New York: Cornex (Dec) _\$385.0 (393.2
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FT-SE 100 3,788.3 (+17.7)	New York: brockline £1.543
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M OTHER RAYES	£1.5439 (1.5423 DM1.4813 (1.4779
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Japan: 10 yr J68 .....98,0708 (97,9709) M STERLING DM ....2.2599 (2.2793) MORTH SEA Off. (Argus) \_\_\_\_\_\_\$19.58 (19.6) Teleye closis: Y 106.95  By Patti Waldmeir Economic plan projects balanced budget by 2002 Senator Bob Dole yesterday announced a \$548bn tax-cut-

dential election campaign.
The long-awaited economic programme, subject of intense debate within Mr Dole's Republican party, calls for a 15 per cent across-the-board cut in income tax rates, a halving

ting plan aimed at boosting

both economic growth in the

US and his own flagging presi-

imum 14 per cent, and a \$500-a-child tax credit. It also projects a balanced budget by 2002, but

gives only sketchy details of how the tax cuts would be paid Mr Dole's aides bope the plan will capture favourable However, Mr Dole has risked headlines in a campaign so far his career-long reputation for dominated by President Bill

Clinton, who holds a double-digit opinion poll lead. By choosing a simple and dra-matic version of the various tax cuts debated by his advisers for weeks, aides hope Mr Dole will tap a popular Repub-

lican campaign theme. putting deficit reduction ahead

of cutting taxes. He has long been a critic of supply-side economists who argue that tax cuts will largely pay for themselves by boosting growth and

His proposals project that increased growth will pay for \$147bn of the \$548bn cost of tax cuts over six years. The rest would be covered by the sale in my blood and a balanced

of unallocated broadcast frequencies along with spending reductions, though it would not involve further cuts in Medicare - health insurance

or defence spending.
Mr Dole insisted his plao would not jeopardise budget balance: "Deficit reduction is

for the elderly - social security

budget will be my legacy to the American people." His aides stressed that

growth would be boosted not only by income tax cuts, but also by the capital gains tax reductions, and a plan to reduce government regulation and overhaul the legal system. The plan also calls for passage of a balanced budget amend-

Continued on Page 12 Dole grasps nettle, Page 4 Editorial Comment, Page 11

# Brussels plan to let debtors pay using euro

By Gillian Tett in London

The European Commission has backed away from a controversial plan to discourage foreign exchange speculation against the future single currency. Its latest draft proposals for

European monetary union have dropped the idea that financial contracts which challenged official Emu parities would be unenforceable.

This retreat has pleased investment bankers, who argued that legislation against currency speculation would be unworkable.

But the Commission, which plans to present its legal framework for Emu to governments this autumn, is now proposing other means to bol-ster the market credibility of the euro during the three-year ing is that something positive transition period to a single should uphold the conversion currency after 1999, and to pre-Commission has

suggested that anybody who Financial Law Panel in Lonowes a debt due between 1999 and 2002 should be able to repay it to either euro or the national currency. This could occur irrespective of the feared losing money in one wishes of the lender, unless currency they could repay it in special legal provisions had the other currency." been drawn up to advance.

period from 1999 until euro notes and coins are introduced in 2002. During this period, the euro

The national currencies will be considered to be denominations of this, set at "irrevocable" conversion rates - just as Brussels said: "This could cre-the US cent is considered a ate more pressure for a rapid denomination of the dollar. The European Monetary

Institute, forerunner of the European central bank, had

Deutsche Bank, Germany's biggest bank, yesterday deplored US indifference towards European monetary union, saying most Americans thought of Emu as a big Aus-

The bank said such neglect could damage US interests and blamed US politicians, busi-nessmen and economists for the lack of interest. Page 2

originally suggested that contracts which challenged these official conversion rates should be unenforceable. However the Commission, which is responsible for creating the legal framework, is now backing away from this idea. As one lawyer involved in

rates, rather than a negative Mr Colin Bamford, of the don said the new proposal could reduce the incentive to gamble against the official con-

version rates. "If someone

the discussions says: "The feel-

currency they could repay it in Banking groups point ont This proposal marks an that the Commission's sugges-attempt to deal with the complexities of the transition separate effect of increasing pressure on the financial community to use the euro imme-

diately after 1999.

This trend is likely to please will exist as a unit of account. French financial groups who The national currencies will be want to switch to using the euro as quickly as possible. One banking observer in switch-over which perhaps not everyone is expecting."

US indifference to Rmu, Page 2 Report, Page 4



the royal palace in Amman yesterday on his first official visit to Jordan as Israel's prime minister. Amid speculation about a fresh peace initiative, he said Israel had submitted a proposal to Syria to renew talks.

# Chinese to buy advanced military radars

By Bernard Gray in London

China is to buy airborne early warning radars from Britain, increasing the capacity of the Chinese navy and air force to patrol disputed areas soch as the Taiwan Strait and the Spratly Islands in the South

In a deal oegotiated in the past two weeks, Racal, the British defence and electropics company, will sopply between six and eight of its Searchwater surveillance radars to the Chinese navy. China is also negotiating with Israel Aircraft Industries to buy its Phalcon airborne early warning radar for the Chinese air

Racal yesterday refused to comment on the order, saying the company never discussed such contracts.

part of an effort by China to strengthen its alr force and navy, which are trailing behind those of Asian econo-mies such as Korea and Taiwan. China's ageing MiG fighter fleet is no match for the French Mirage fighters which Taiwan bas ordered, and Chioa's ships lack long-range radar cover for patrols outside its coastal

For 10 years China has been debating how to improve the

Cootinued on Page 12

# Belgian curb on drink ads 'unfair to imported wines'

litres, according to the the

European brewers' association. The EU executive says two

examples of case law in the

European Court rule that beer and wine should be viewed as

competing products, subject to

the same treatment under the

law. It is preparing a case for

Brussels is also challenging

rules in another beer-loving

country - the UK. It has ordered the UK to change the

rules on "guest beers", draught beers brewed by one

It says the rules exclude

specify that guest beers must

be brewed by a fermentation

the European Court to make

be advertised.

By Neil Buckley in Brussels

Belgian lew banning advertisements for drinks containing more than 10 per cent alcohol by volume is being challenged by the European Commission which says the law unfairly favours the Belgian national drink - beer.

The Commission says the ban means beer is effectively the only alcoholic drink that can be advertised, penalising wine, most of which is imported into Belgium and is

only marginally stronger. Belgium says the law is designed to protect health and prevent alcohol abuse by restricting promotion of stron-brewer sold in puls tied by ger drinks, and denies it is a contract to a different brewer. protectionist measure.

The country brews several draught beers brewed by other hundred different beers, rang- member states because they ing from well-known brands such as Stella Artois, to rare, process used only in the UK. traditional varieties produced by Trappist monks. It produced 14.85m hectolitres of the restriction is a breach of

O THE FINANCIAL TIMES LIMITED 1996 No 33,054 LONDON - LEEDS - PARIS - FRANKFRET - STOCKHOLM - MADRID - MEW YORK - LOS AMGELES - TOKYO - HOME KONG

Add-Pacific News \_\_\_\_3
American News \_\_\_\_4

LIK Noves.

highest annual consumption goods and the UK has been per capita in Europe, at 106 told to change them within 40 working days, or face Euro-

pean Court action. The rules, drawn up after a shake-up of the UK brewing sector in 1989 to promote tradi-tional "real" ales, say guest beers must use a process known as "bottom fermentation". The Commission says this

sure wine has equal rights to discriminates against "top-fermented" lagers from other EU states, which may still come from small brewers using traditional methods. It suggests the IJK adopts rules that stipulate guest beers must come from smaller breweries using traditional methods, but without barring top fermentation.

anger yesterday in the UK. The Brewers and Licensed Retailers Association said the UK already had the most open beer market in the European Union, stocking and importing many more brands than other

The Commission argues that Foreign Exchanges — 21 Menaged Funds \_\_\_\_23-25

beer in 1994, and had the fifth- EU law on free movement of EU states. CONTENTS

NAVITMER: ON COURSE AND ON TIME. With time a crucial aspect of air travel, pilots and navigators have long viewed their watch as their basic personal instrument. Even with today's sophisticated navigation satellites and radio beacons, "flight computers" like the NAVITRAER'S are still used for routine calculations. A slide rule of this kind is built into NAVITMER mechanical chronographs. The pilot's sole personal instrument, today's NAVITMERS are based on a design voted official watch of the Aircraft Owners & Pilots Association in 1952. Relentlessly improved since then, NAVITMERS are totally efficient and fascinating to operate while their good looks remain as unmistakable as **BREITLING SA** P.O. Box 1132 SWITZERLAND - 2540 GRENCHEN Tel.: 41 65 / 51 11 31 Fax.: 41 65 / 53 10 09 INSTRUMENTS FOR PROFESSIONALS

# US indifference to Emu deplored

By Andrew Fisher in Frankfurt

Germany's higgest benk yesterday delivered a damning verdict on US indifference towards European monetary union, saying most Americans thought of Emu as a big Australian bird rather than an attempt to link currencies and economies in a way that could change history.

blamed US politicians, bust-

**Turkish** 

generals

**Islamists** 

mentalism in the ranks.

Doğan Güres, a former chief

of staff and now an MP, had

even hinted that the gener-

als might intervene to pro-

tect Atatürk's heritage, say-

ing: "Our army is the guardian of Turkey's unity.

At a time when Turkey is in

Civilian secularists also fear Turkey's growing Islam-

ist movement is infiltrating

the army. Some military

analysts claim that as many as a fifth of conscripts and

junior officers may be Islam-

anxious to avoid a confronta-

on. All but one of the top

officers even drank fruit

juice at a formal dinner with

Mr Erbakan rather than

rakl, the fiery national drink. The army has also

expelled fewer Islamists this

time round than in previous

years - last December 50 sol-

Mr Erhakan, who leads the

Islamist Refah party, is treading carefully, aware

that the army is one of the

few national institutions to

retain the almost unanimous

respect of a people sickened

by years of government cor-

He bas ditched his incendi-

ary anti-secular rbetoric and

repeatedly deferred to the

army. Last week, at the

insistence of the military as

well as Washington, he sup-

ported parliament's renewal

of a controversial US-led air

umbrella based in Turkey

that flies missions over

northern Iraq to protect

Earlier, Mr Erbakan bowed to the wishes of "our heroic military" and approved a training agree-

ment with Israel he had

vowed to scrap. He has also

promised to back military

demands for increased

FRANCE:
Publishing Director: P. Maraviglia. 42 Rue
La Boiglie. 75008 PARIS. Telephone (01)
5376 E254. Fax (01) 5376 E253. Printer:
53.A. Nord Echir. (521 Rue de Caire,
F-59100 Roubait Cadex I. Editor: Richard
Lambert. ISSN 1148-2753. Commission
Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnery 468

Responsible Publisher: Hugh Carnegy 468
618 6083. Printer: A@ Kvällstadningen
Expressen, PO Box 6007, \$-550 06,
Jönköping.

Jönköping.

C The Financial Times Limited 1996.

Editor: Richard Lambert.

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One Southwark Bridge, London SEI 9HL.

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Kurds against Baghdad.

ruption and incompetence.

diers were purged.

However, both sidee are

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army will do its duty."

tin Erbakan.

aim at

this lack of interest "Most Americans have not

beard about Emu and those who have could not care less," wrote Mr Mieczyslaw Karczmar, the bank's New York-based economic adviser, in an article for Deutsche Bank Research's Emu Watch series. Because the US government paid scant attention to Emu, so did the media.

He said the level of indif-Deutsche Bank said ference was "astounding" in tbat such neglect could view of US historical and damage US interests. It cultural ties with Europe and the country's large trade nessmen and economists for and investments there. "This

is really regrettable. Preoccnpation with domestic affairs is not an excuse for neglecting developments in Europe; both the administration and Congress, and both political parties, chare the blame for that neglect."

The paucity of interest in Emu had also afflicted US academic circles. "Even among the intellectual elite, the big bird roaming the Australian outhack than with monetary union." Only a handful of academic econoresearch into the subject.

for long periods been a "reluctant internationalist". Mr Karczmar said the end of the cold war and the Soviet collapse made it less compelling for the US to preoccupy

itself with Europe. Moreover, President Bill Clinton came to power stressing domestic policy. His administration officially supported European monetary and political integration, but "there is not much substance behind this

Internationaliam had

Arguing that the US had the past than isolationism, Mr Karczmar said. "The US's indifferent attitude to the massive reorganisation and transformation of Europe is tantamount to abdicating the US international role, and this will eventually harm American interests."

US hasiness had also sbown little interest in Emu. Those big corporations that did follow Emu were broadly positive because it would simplify their financial operations and reduce costs. But those with large exports and heavy investserved US interests better in ment in Europe were also

lead to a stronger dollar – as the D-Mark's strength was diluted within the single currency zone of the euro thus diminishing their export competitiveness and overseas profits.

Mr Karczmar said the US Treasury was watching to see how the euro would challenge the dollar as an international currency and was also concerned about a possible dollar appreciation. As for the Federal Reserve, "it still viewe Emu in theoretical rather than practical

# to gather bond

windfall

By Vincent Boland

More than 3m Siovak citizens have the opportunity from this week to collect an unexpected windfall when a bond issue that replaced coupon privatisation begins public trading.

They can turn a Sk1,000 (\$33) investment in a book of coupons for a privatisation programme that never happened into a guaranteed Sk7,500 – roughly a month's salary - by selling the bonds the government issued to compensate for the cancelled sell-offs last year.

No trades were reported esterday because of confusion over who can buy the bonds. Some economists are alarmed at the prospect of an imports surge if people epend the profit on conumer goods

Some 3.3m Slovaks own a bond, each with a nominal value of Sk10,000. They now have four options. They can sell them from yesterday, hold them to maturity in five years, exchange them for state property, or use them for down-payments on

expect many holders to sell the bonds for an immediate profit. Minimum selling price is Sk7,500 and the mort likely buyers are privatised companies. Conpon privatisation was replaced with a policy of selling controlling stakes in companies down prices, with payment by instalment.

The honds can be redeemed at par by those companies to pay off the instalments. However, only 14 of the estimated 600 companies sold to management have so far been licensed to hny the honds hy the National Property Fund (NPF), the state bolding company to which they owe the money.

Brokers blame the NPF bureancracy for delays in explaining how the market for the bonds will operate and in granting the licences. While the government is keen to see a market develop, its success depends on how the market will be prepared and how much information the public will have", said Mr Martin Moseman of ING Baring

Securities in Bratislava. If a strong market develops it could cause headaches for the National Bank of Slovakia. The central bank never liked the bond issue, fearing its consequences for inflation and the country's trade deficit, which reache Sk27bn in the first half of 1996 partly because of high

Commission under which activity from the telephone business which will be subject to the regulatory author-

under way. Originally, only Seat and Sirti were to be sold off, the Objection to Finsiel being that it handled aensitive state contracts including all before November, Given the the Treasury's data processing software. Last Friday. the government agreed to set up a special company to window of opportunity for handle the Treasury'e data processing. At the same time would be in January/Febru- Finsiel formed a new company with the state railways EUROPEAN NEWS DIGEST

# Bonn urges EU review on BSE

The German government will ask the European Union to review the measures taken so far to combat bovine spongiform encephalopathy (BSE), or mad cow disease, following last week's report by British scientists that

uggested cows could pass on the disease to their calves. The request was made after Mr Jochen Borchert, the German agricultural minister, met representatives from the 16 Lander, or states, which have been at the forefront in opposing any gradual lifting of the export ban on British beef products.

Mr Borchert said be wanted the EU's scientific and veterinary committee, which consists of representatives of the member states, to meet as soon as possible. He said consumers were not entirely convinced that beef, imported or domestic, was safe to eat, while there were now fears that BSE would effect milk and milk products. A Commission official yesterday said it had noted the request but said the committee was not due to meet until

The move by the government is intended to assuage the Länder and Germany's powerful agricultural tobby, that Brussels is doing all it can to combat BSE. It also means that the government will be given a breathing space to win over support from the Lander to implement a decision by Brussels last month partially to lift the export ban on some British beef products. Judy Dempsey, Bonn and Neil Buckley, Brussels Germany anger at UK and Brussels over BSE, Page 10

#### Waigel seeks hefty tax cuts

The German government is planning sweeping tax cuts which could reduce the highest income tax rate from 53 per cent to 40 per cent starting from 1999, Mr Theo Waigel, the finance minister, said yesterday.

The measures, being drawn up by a special tax reform commission which met yesterday, also envisage a further reduction of the solidarity tax, a surcharge on taxable income reintroduced in 1993 to finance the reconstruction of the east German economy.

The eurcharge, one of the most unpopular taxes, could be reduced next year from 7.5 per cent to 6.5 per cent and to 5.5 per cent in 1998. But there is still a dispute in the government over when the tax should be scrapped altogether, with the liberal Free Democrats, the junior partner in Chancellor Helmut Kohl's coalition, calling for its abolition as soon as possible.

The tax measures reflect a growing consensus among industry, economists and political parties that Germany's notoriously cumbersome tax system must be simplified and the plethors of allowances, particularly for the better off, be reduced or abolished. Judu Demoseu, Bonn

#### Italian insurance price probe The Italian anti-trust commission said yesterday It had

opened an inquiry into recent sharp price rises in the car and motorcycle insurance market. The Italian government last week called on insurers to

offer more competitive motor rates, complaining that the insurance market was still not functioning well. Rigid laws controlling Italian motor insurance were relaxed in July 1994 after strong lobbying from companies which protested that they were having to support huge losses because of enforced low pricing policies. Since then, the anti-trust body said there had been "significant price increases in the sector". Tha Italian Insurance Association has blamed the increases on a larger number of accidents coupled with greater costs; especially for personal injuries.

#### Unicombank back on course

Russia'e central bank has helped restore financial stability to Unicombank, one of the country's largest commercial banks, and is releasing it from temporary administration. The central bank said creditors' interests were no longer in danger after Unicombank had successfully normalised its operations following a recent

"management crisis". The move will bolster the central bank's credibility as an industry regulator and strengthen its programme of helping other Russian banks out of temporary difficulties.

A sharp decline in inflation and a more competitive economic environment have threatened the solvency of scores of Russia'e 2.100 commercial banks. The central bank has stressed it will not jeopardise its tough monetary approach by bailing out troubled banks but is prepared to appoint teams of experts to help banks restructure their finances. The central bank moved in to Unicombank in May to defend the interests of 250,000 private depositors after the commercial bank failed to pay John Thornhill, Moscow

#### European air traffic to grow

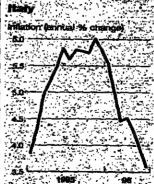
Passenger traffic on Europe's big airlines is to grow by 6.4 per cent each year for the next five years, marginally up on long-term forecasts, the Association of European Airlines (AEA) said yesterday. Within Europe, it predicted cross-border passenger numbers would rise by one third from 1995 to 2000, an increase of 36m.

"Behind the growth expectation is an anticipated period of relatively favourable economic development and a constant reduction in average fare-per-kilometre in real terms," the AEA said. Aside from expected recovery in traffic to and from former Yugoslavia, the AEA said the highest growth would be from Turkish and Irish routes followed by Portugal, Belgium, Germany, Spain and Scandinavian countries. Slower growth was predicted from Malta, Cyprus, Greece and Switzerland.

Passenger traffic on AEA airlines grew 8.9 per cent year-on-year in June.

ECONOMIC WATCH

#### Italian inflation slows



July to an annualised 3.6 per cent from 3.9 per cent the previous month. according to figures released yesterday by Istat. the state statistics institute. The improvement was better than expected and was largely influeoced by a government decision to cut electricity tariffs. As a result consumer prices in July fell by 0.2 per cent. This was the first time since 1968 that negative growth in Inflation has been recorded. Apart from the move on electricity

Italy's inflation rate fell in

tariffs, clothing, water and energy products all saw price levels fall back. Together these Items fell 1.2 per cent. However, a modest rise in car prices and car insurance remiums (under investigation by anti-trust authorities) led to an increase in transport prices of 0.2 per cent.

The government believes that inflation by the end of the year will be 3 per cent or lower, with 2.5 per cent projected for next year. Economists yesterday welcomed the trend but warned that domestic demand remained Robert Graham, Romo

■ Greek inflation dropped to 8.6 per cent year-on-year in July from 8.8 per cent in June.

# France bids adieu to one of the founders of the republic Slovaks



President Chirac embraces the widow of Michel Debré, France's first prime minister under President Charles de Gaulle in 1958, at his funeral yesterday. Debré, who drafted the constitution for France's Fifth Republic, died on Friday aged 84. sees

# Neutral Austrians deeply split over whether to join Nato

A poll shows a majority believe Vienna will sign up anyway

Underlining the uncertainty and confusion over the country's future security policy, the poll results published yesterday show that 60 per cent would vote against Nato membership in a referendum. However, 58 per cent believe Austria will eventually shed its policy of neutrality and join the western alli-

force a common foreign and security policy at the intergovernmental conference and as Nato prepares for enlargement to the east.

If, as some experts expect, Hungary, the Czech Republic and Slovenia join the alliance, Austria will be almost completely surrounded by Nato countries. Nato officials say they would like Austria to apply for membership, but do not want to interfere in the domestic debate.

The political changes in Europe have forced even supporters of neutrality to examine fresh options. But Austria's coalition government

of Social Democrats and conservatives is deeply split on the issue. The conservative People'a Party, led by Mr Wolfgang Schüssel, the foreign minister, has long supported membership in the Western European Union (WEU), the defence arm of the EU designed to become the European pillar of Nato. The party also wants the government to consider Nato membership.

majority of Austrians are rushed into a decision by his coalition ern part of the country. The policy of opposed to joining Nato, but they think it will happen anyway, according to a poll in the Vienna daily Der Standard.

partners. Earner this year, the two parties agreed to postpone any decision on WEU membership until the first quarter of 1998. While Mr Vranitzky hesi-neutrality allowed Austria to attract opposed to joining Nato, but partners. Earlier this year, the two parnon-alignment became extremely popntates. Some members of his party bave international organisations and to act begun to push for entry. In an interview, Mr Josef Cap, former secretary general of the party and now an MP, urged the government to join Nato as

soon as possible. Mr Cap was immediately rehuked by Mr Vranitzky and others, but some Social Democrats admit privately that The debate is coming to the fore in eventually they will have to accept Austria as the European Union tries to Nato membership in order to have

#### Eric Frey looks at security facing an EU recruit

some input into the strategic decisions

The opposition parties are also split. The leftwing Greens want to stick to neutrality and accuse the Social Democrats of breaking their earlier promises. The far right Freedom Party of Mr Jörg Haider calls for immediate Nato entry. The Liberal Forum want to join the WEU but delay Nato membership until a later date. Polls ehow that many Austrians would not mind joining Nato If they could stay neutral, at least in

as a broker between east and west. Most security experts agree that neu-

trality has lost its meaning since the collapse of the Warsaw Pact. When Austria joined the EU in 1995, it also accepted the terms of the Maastricht treaty that call for the creation of a common defence policy. Austria has also joined the Partnership for Peace of Nato and dispatched about 300 soldiers to Bosnia as non-fighting participants in the Ifor mission.

Most Austrians would still prefer not to join a military alliance. They are afraid of foreign entanglements and the cost of bringing the Austrian military to Nato standards. Defence spending's chare of total GDP is only 0.9 per cent, well below any Nato country.

Austria strongly supports the plan to include humanitarisa and peacekeeping missions in the revised Maastricht treaty and opposes a full msrger between the WEU and EU. Sweden, Finland and Ireland face

# the choices on

that also affect Austria's security.

Austria declared permanent neutral-Chancellor Mr Franz Vranitzky, a lty in 1955 in exchange for the with-

The deep split in the government and in public opinion has made it difficult to make its voice heard in the EU. The government does not want to stand in the way of other EU countries moving towards political integration, but it also hopes that the intergovernmental conference will not move too far in this direction.

similar pressures, but experts say their geographical locations on the edge of the EU make it easier to choose their

#### Social Democrat, has refused to be drawal of Soviet troops from the east- own course. Ciampi will press case at today's cabinet for hiving off non-core businesses

# Rome to decide on speeding Stet sale

By Robert Graham in Rome

centre-left government is expected to decide today wbether to accelarate the privatisation group, by hiving off non-core Mr Carlo Azeglio Ciampi,

the Treasury and hudget minister, is pressing for the immediate sale of three companies: Finsiel, a computer software unit; Seat, responsible for yellow pages publishing, and Sirti, a telephone equipment manufacturer.

This, he argues, would raise more funds than selling Stet in its current form. Stet has a market capitalisation just helow L25.000hn (\$16.5bn) hut, on some esti- outside the government have mitted to respect a 1993 Treasury with extra amoutechnology worth L200bn a mates, up to L8,000hn more constantly delayed the priva- accord with the European

Italy's state railways company has chosen a consortium of Olivetti and France Telecom to develop its telecoms activity. They are expected to pay at least L600bn (\$395m) for a 70 per cent stake in Telesistemi Ferroviari based on the existing value of the rail telecoms infrastructure, but the price could be higher depending on final investment commitments. Both BNL, the state-owned bank, and Eni, the state-controlled oil company, are bringing in external partners to operate and develop private telecoms networks. Both chose partnerships with British Telecom.

could be raised. Within Stet there has been strong resistance to any break-up, and the trade unions yesterday repeated their opposition to the idea. Iri, the state holding which

also remains sceptical of the

benefits of euch a move. Their allies both inside and

tisation of Stet which was first set in motion in 1993 when Mr Ciampi was prime minister. However, the prospect of further delays, combined with the impact of this on controls 62 per cent of Stet, Iri's precarious finances, pro-

videe the Treasury with

strong arguments at today's

cabinet meeting. Iri is com-

the atate holding must reduce its debt by almost be achieved is by selling off all Iri's stake in Stet. The newly approved legis-

lation to establish a telecoms regulatory anthority will take time to he translated into practice, however. Government officials doubt the agency can be operating proposed sale of Deutsche Telekom in November, the Treasury says the earliest an international sell-off

ary next year. This in turn provides the nition to divide non-core year,

L20,000bn by the end of this ity. It feels Brussels is only year. The only way this can likely to be accommodating in postponing the deadline on Iri'e debt reduction if the Stet sale is at least partly

to handle their information

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**NEWS:** ASIA-PACIFIC

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SULVEY SAYS.

The report, released yesterday, has been blasted by officials of Burma's military junta, who say the report's attempt to correct statistical distortions caused by tha country's dual exchange rate and by lack of reporting on military spending is politically driven.

Tha US government has been the most vocal international critic of Burma's military regime because of its human rights record and its

pressure groups have been at the forefront of a campaign to convince multina-tionals to withdraw from Burma.

Gen David Abel, Burma'a economic development minister, said yesterday: "The intention of floating such a report is to seed doubt and cause mischlef."

He said defence spending was only 8-10 per cent of the national hudget. Official mention of defence spending.

> e is snappily dressed in a dark suit complete with tie pin. His

slicked-back hair looks as if it

has been given a dose of gel. He smiles

as he offers his business card. It is headed "Communist Party of Viet-

Mr Truong Tan Sang is the party's

highest flyer and, as Vietnam's young-est recruit to the ruling politbure, is the country's most talked about politi-

At 47, Mr Sang is chairman of the Ho

Chi Minh City branch of the Commn-nist party, an appointment made dur-

ing the party's five-yearly congress at the end of June. The post comes with a

seat on the polithuro, the highest deci-

sion-making body in the land. Yet nothing in his curriculum vitae

marks him out as a high achiever. His

only executive position before becom-

ing mayor of the city in 1991 was at the

belm of a state-run forestry concern.

Unlike many technocrats of his age, he

was not trained in the former Soviet

Union, Instead, he took evening classes

at Ho Chi Minh City university, earn-

share power in the 18-member polit-buro with the revolutionary septuage-

narians who have dominated the politi-

cal landscape in the decade since the

country's doi moi economic reforms

began. He will also sit alongside two

military men who masterminded Viet-

He brushes aside suggestions that

the older generation do not fully trust tha party's younger bloods, an attitude

many observers say was behind the

ruling troika's refusal to relinquish

power at the recent party congress.

aries fully trust the younger genera-

tion. [Membership] is an opportunity

for me to acknowledge the guidance of the older generation that has helped

and guided us through wartime and

Mr Sang is clearly an intuitive politi-

during the renovation period."

The older generation of revolution-

nam's invasion of Cambodia in 1979.

Thus armed, he will now have to

ing a law degree.

3.1 per cent of the country's alleged tolerance of drug- Last year the World Bank up the country's external gross domestic product, the trafficking activities. US estimated defence spending debt and are partly to blame accounted for 50 per cent of for Burma's external arrears. current government expendiwhich the World Bank estiture in fiscal year 1993-94 mates at \$1.5bn, up 83 per and 45.9 per cent in 1994-95. cent from three years ago. Exchange-rate adjusted

Jeremy Grant meets Vietnam's newest recruit to the politburo

Age no barrier for favourite

son of Ho Chi Minh City

Economists say the level of military apending is important because it is the single most important factor in Burma's chronic fiscal deficit - which stands at 11.5 per cent of GDP - and in its 25 per cent annual inflation. Growing military imports, which the government atopped reporting thrae years ago, are also pushing

economic growth for each of the past two years was 4.6 per cent, the US Embassy said, compared with 5.9 per cent and 6.8 per cent claimed by the Burmese government. Some of this growth can be attributed to a transfer of activity from the black marsince trade was liberalised.

the growing influence of drug and other extra-legal money, now that several drug-producing ethnic groups have been "brought into the legal fold".

Net private transfers of foreign currency have substantially exceeded foreign direct investment for the past two years and the Burmese government "now makes no perceptible effort to bar investments funded by the production or export of narcotics," the report

#### ASIA-PACIFIC NEWS DIGEST

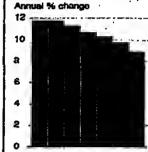
# China opens up Xinjiang

China is stepping up development of its oil-ricb and potentially troublesome western Xinjiang region with the allocation this year of Yn12.2bn (\$1.46bn) for investment, mostly infrastructure, the People's Daily reported yesterday. Some 30 projects had been identified for central government support, including roads, oilfields and power plants. Beijing will provide 70 per cent of funding for key projects, the rest coming from local authorities and business. The region is attracting attention as an increasingly important cotton and grain-growing area. The Taklamakan Desert, including the Tarim Basin, is also believed rich in gas, but the cost of developing oil and gas fields in such a remote location is deterring foreign investors. China bas built a small pipeline, but foreign investors. China bus based on the commercial development.

Tony Walker, Beging

#### Philippine inflation falls

Philippines inflation



8.9 per cent in July, its third consecutive monthly course for the official 6 per cent target by December, economists said yesterday The decline, following the rise to 11.8 per cent last October, came in most sectors, notably food, The tightening of money supply, agreed with the international Monetary Fund earlier this year when the target for broad money (M3) growth was

Philippine inflation fell to

per cent, contributed to the slowdown. Worries over fuel prices, expected to rise after the gradual liberalisation of oil prices began last month. and galloping real estate prices, indicate longer-term price stability may not yet have been achieved.

Most private-sector groups agree with official predictions of 6 per cent inflation by December and an annual average of 8-9.5 per cent for 1996. The bellwether 91-day treasury bill rate is expected to remain at 12-13 per cent for the rest of the year.

#### Megawati calls in lawyers

Ms Megawati Sukarnoputri, the ousted indonesian opposition leader, yesterday sent lawyers to represent her at police questioning about ber role in allegedly inciting last month's riots in Jakarta, the worst in two decades. Her lawyers said she was prepared in principle to answer any questions in line with ber strategy of taking ber battle over the party's leadership to court. Ms Megawati was ousted as leader of the opposition Indonesia Democratic party by a rival government-backed faction.

Meanwhile, Major-General Syarwan Hamid, bead of the military's socio-political section, accused "labour organisations" in Australia of financing a group of political activists whom the military accuse of masterminding the riots. But no plans are in hand to complain to the Manuela Saragosa, Jokarta Australian authorities.

#### IMF warns on Thailand

bailand's only bope for an "enduring improve its monetary controls is a more flexible exchange rate system, the international Monetary Fund says in a confidential report. The IMF concluded the central bank's monetary controls were inherently weak: "As Thailand's capital account has become increasingly open with financial liberalisation, the scope for an autonomous monetary policy (given the fixed exchange rate regime) has been steadily eroded."

The report says Thailand must relax its fixed exchange rate system to restrain the tide of sbort-term capital flooding in and compromising financial stability. Thailand had two options: widening the band in which the baht trades against the dollar, or changing the basket of currencies to which it pegs the baht. The inflexibility of the baht imposes "constraints on available policy instruments to respond effectively to shocks" from the current account or sharp increases in capital inflows, the AP-DJ. Washington

#### Elliott cleared on one charge

Mr John Elliott, former bead of the Elders IXL brewing and agribusiness conglomerate, was yesterday acquitted on one of the charges he faces in relation to alleged fraudulent foreign exchange dealings, dating back to 1988. In the Supreme Court, Justice Frank Vincent recorded a not guilty verdict on a charge of giving false evidence to Australia's National Crime Authority. Two of Mr Elliott's former colleagues, Mr Peter Scanion and Mr Kenneth Biggins, were also found not guilty on the same charge.

They still face charges of theft and conspiracy to defraud. The case centres on two foreign exchange transactions totalling A\$66.5m (US\$51.5m) between Elders and Bank of New Zealand in 1988. Nikki Tait, Sydner

# Death penalty sought for Chun by prosecutors

By John Burton in Secul

Sonth Korean prosecutors yesterday asked that former president Chun Doo-hwan be sentenced to death and his successor, Rob Tae-woo. receive life imprisonment for alleged sedition. Even if the Seoul district

court upholds the suggested punishments at a sentencing session later this month, most analysts believe Mr Kim Young-sam, the South Korean president, will eventually use his executive privilege to reduce the penalties to shorter prison terms.

The proposed sentences, which were expected, followed a six-month trial that focused on their roles in a 1979 coup that brought them to power, and the subsequent 1980 massacre of at least 200 pro-democracy demonstrators in the south-western city of Kwangju.

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The ex-presidents are also facing separate charges of allegedly accepting a combined total of almost \$2bn in corporate bribes during their consecutive terms of office

between 1980 and 1993. Fourteen other persons, most of them former military colleagues of the two ex-presidents, face possible The suggested death penalty

as martial law commander when the Kwangin massacre occurred in May 1980.

Mr Chun, who subsequently became president in August 1980, is an unpopular figure in Korea because of his seven years' rule. In contrast, Mr Roh, who snc-ceeded him in 1987, was con-sidered to have bad a subservient role in the army conp and is credited with paving the way for demo-cratic rule as president.

It was Mr Roh's admission last October that be accepted \$650m in corporate payments that triggered a series of events that led to the trial of the two ex-presidents. His arrest last November on corruption charges provided an opportunity for Mr Kim, a former political dissident, to pursue Mr Chun as well, on

sedition charges. Their trial has been marked by controversy, with lawyers for most of the defendants having resigned in the past month to protest at what they claimed was the prejudicial attitude of the court judges.

Supporters of Mr Chun have also accused Mr Kim of conducting a vendetta to wrest control of the ruling party from allies of the two to divert attention from allefor Mr Chun reflected his gations about the financing role as the leader of the 1979 of Mr Kim'a presidential army coup and his position campaign in 1992.

# Calls grow for Malaysia power monopoly end

By James Kynge In Kuala Lumpur

The share price of Tenaga Nasional, Malaysia's semiprivatised electricity utility. plunged yesterday after an almost nationwide blackout at the weekend hit the company'a reputation and prompted calls for its trans-mission monopoly to be ter-

Tenaga's shares, which account for nearly 10 per cent of the Malaysian stock market's, capitalisation. closed down 4.41 per cent to M\$9.75.

Investors were concerned that companies forced to stop production for the 15bour power cut from Saturday evening to Sunday morning would demand compensation from Tenaga. Some analysts said losses at companies from the power cut, originating in the eastern state of Tersngganu whare minch of the grid dates from the 1970s, could exceed M\$100m (\$40.5m).

Market analysts said Tenaga's transmission and distribution monopoly, previously guaranteed until 2000, could be in jeopardy. The Federation of Malaysian Consumers Association suggested yes-terday a parallel grid should be built and run by some or all of five independent power producers (IPPs) which have begun generating aince 1994. The suggestion appeared

to be echoed by Mr Anwar Ibrahim, deputy prime minister and finance minister, who said the current grid was "not acceptable". Dr Mahathir Mohamad, the

prime minister, summed up a mood of anger and shame within the government. "Where are we going to hide our faces," he said. "We invited people to invest, and

now their factories are affected and the aircraft cannot take off." Dr Mabathir last week invited the world's top information technology companies to invest in an ambi-

tious 750 sq km "multimedia super-corridor", a central plank in Malaysia's vision of becoming fully industrialised by 2020. To achieve that goal, when wages are rising and a labour shortage is eroding its traditional competitivs

advantages, Malaysia needs to provide reliable and efficient utilities Tenaga had pledged to keep power cuts to a minimum and observers said its failure could serve it ill

when the government decided whether to allow it to increase power price rises. A delay in implementing price rises this year was the main factor behind a decline in Tenaga's net profits to M\$370m in the half year to February 29 this year from M\$798m in the previous leakage at Monju, Japan's the New Frontier party, the The result of the referendum

cian but he is also a loyal party man. It is perhaps this, more than anything else, that propelled him to his current position, in spite of his age. For the last five years, as chairman of the Ho Chi Minh City people's committee he has presided over dramatic

changes in one of south-east Asia's fastest growing cities. Last year, Ho Chi Minh City's gross domestic product growth was about 15 per.cent. Foreign investors have pumped mil-

hons of dollars into projects in and around the city. Local businesses most of them ethnic Chinese previously the victims of economic and political discrimination - are flourishing as never before. Unlike its counterparts elsewhere in

Vietnam, the Ho Chi Minh City people's committee is much more than an administrative body. It is also a sprawling business machine, having inherited factories, hotels and a huge property



portfolio from the US-backed South Vietnam. Many of the people's committee business units are linked in Incrative joint ventures with foreign inves

Mr Sang sums up his business philosophy thus: "In a multisectoral economy, it's inevitable to have rich and poor. In Vietnam, we say let those who have favourable conditions enrich themselves first, and then let those less fortunate enrich themselves later. thanks to the support of those who

have already become rich'." Commercial pragmatism and loyalty is a combination that the Communist party feels it needs from its cadres as it tries to steer Vletnam towards a mar kat economy while maintaining full political control. There are two problems with this. No one knows if it will work. And there are precious few party members like Mr Sang, who has managed to protect the business interests of the people's committee while allowing the nascent private sector a degree

The private sector is viewed with extreme ideological suspicion by the party, and faces wide-ranging economic discrimination. Foreign economists see it as the country's best hope for sus-tainable economic growth.

"Overall our policy does not discriminate against the private sector or give any privileges to the state sector because we want to mobilise all resources in order to modernise and industrialise our economy," he says. His words will be cold comfort to the entrepreneurs still unable to use land as collateral for bank loans, unlike

loss-making state companies. Only 1km away from Mr Sang's office in a converted French villa, people live in slum conditions, the flip side of Ho Chi Minh City's economic success story. Drug abuse is rising. Girlie bars and prostitutes are still as much a part of the city's image as they were in the Vietnam war years.

"We've built many houses of grace and we also try to provide education to many street children. There are about 45,000 of them and we have gathered 25,000 into classes," be says.

Some observers say the city bas grown fast without infrastructure keeping pace and there are problems looming. But Mr Sang deserves credit for bolding the city together as it coped with the strains of sudden capital inflows. "He obviously bas the confidence of the party and if he takes a position [in the politburo], it'll proba bly stick," says one.

# Vote on nuclear reactor fails to sway Tokyo

Results of Japan's first local referendum over a nuclear project, at Maki in northern Japan, would not affect the country's nuclear energy policy, the government said

yesterday. Officials put on a brave construction of a nuclear reactor in the town However, the government already faces pressure to review its policy following a

By Emiko Terazono in Tokyo reactor, last December. native to the energy policy, we must consider nuclear energy as a main power source," Prime Minister Ryutaro Hashimoto said.

Mr Seiroku Kajiyama, chief cabinet secretary, said the referendum, where over face after the weekend vote 60 per cent of Maki's 30,000 by Maki residents to reject residents voted against building the plant, covered only a single project and was not a rebuttal of the government's energy policy. Mr Ichiro Ozawa, leader of

next-generation nuclear leading opposition grouping, is not legally binding.

said the result of the referen-"Given we have no alter- dum should be reflected in

Japan's energy policy. Under its long-term nuclear policy plan released in 1994, the government aims to increase total capacity of Japsn's nuclear power plants to 70.5m KW to supply 40.2 per cent of the country's total energy needs by

Plans to build a nuclear reactor in Maki ware announced by Tohoku Electric Power in 1969 and since then have divided the town.



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# Pressure to revise HK forecasts grows

By Louise Lucas in Hong Kong

Pressure on the Hong Kong government to revise its fullyear growth forecasts Increased yesterday after official figures showed the economy grew 3.1 per cent in the first quarter of the year against the same period of 1995. This was at a far

slower rate than the 5 per cent growth for the full year

forecast by the government. Private-sector economists, forecasting full-year growth of 4.1-4.6 per cent, say the government will be forced to downgrade tha estimate in tha light of weak export growth through the first half and continuing poor con-

registered a moderate 7.5 per cent growth in real terms against the same period last year, while domestic exports fell 7.4 per cent. Domestic exports have been dwindling as Hong Kong manufacturers relocate their operations in mainland China. Private consumption

Yesterday's first-quarter spending grew 3.5 per cent in ing of tha US dollar may figures showed re-exports real terms and government belp trade in the second half expenditure 3.8 per cent. while a devaluation of the spending Consumer accounts for 60 per cent of gross domestic product.Retail salss have edged upwards and property prices are steadying but many economists say the "feelgood" factor is still absent. Economists say a weaken-

late China trade, the key plank of re-exports. If the expected rise in US interest rates materialises in the second half, and is imported to Hong Kong via the currency link, consumer spending would be further subdued

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# Dole grasps nettle of balanced budget

Proposed constitutional change would tie politicians' hands, writes Michael Prowse

Dole's long-awaited economic plan, unveiled yesterday, is not the proposed dollar of income, individu-15 per cent cut in income tax als' total tax liebility would rates, but an explicit commitment to pass an amendment to the US constitution mandating e balanced federal budget

"Only the moral authority of the constitution can force Washington to do what every American family must do: live within its means," the plan says. "Most states are required to balance their books. Bob Dole believes the federal government should be required to do so as well."

A balanced hudget ameodment would not be a mere promise to achieve a zero deficit by 2002, or any other date. Unlike ordinary legislation it would not be something that Coogress could simply vote down at will It would tie the hands of politicians for decades to come which is why Democrats led by President Bill Clinton fought so hard to prevent its

passage last year.

If a President Dole could deliver on this central pledge, there would be no danger of the promised tax cuts leading to higher deficits. If his economic plan proved too optimistic, he would face two choices: either balance the income reductions with increases in other taxes or as educational and regulacut spending more aggres- tory reform. Mr Dole would sively than currently envis- also cut non-defence spend-

By David Pilling in Buenos Aires

Mr Fernándo de la Rúa of

Argentina's opposition Radical

party takes over today as the first

elected mayor of Buenos Aires

amid hitter arguments over how

much autonomy the capital should

Mr Carlos Ruckauff, the coun-

try's vice-president, described as "an uprising" the declaration on Friday by the Buenos Aires con-

stituent assembly that it would

press for full autonomy, including

he most important should be seen in perspective. The 15 per cent reduction is in marginal tax rates the rates paid on the last fall much less sharply, and the cuts would be phased in over three years starting in 1997. The total cost (including other measures such as a child tax credit and cuts in

> The good news about the Republican convection is that few speeches will be longer than 10 minutes. Washington. The bad news is that there will be dozens of them. Organisers of the party's August 12-15

capital gains taxes) would be

about 1 per cent of national

Mr Dole provides only sketchy details of how the cuts would be made consistent with a balanced budget by 2002. After analysing the results of tax cuts in the 1980s. Prof John Taylor of Stanford University - Mr Dole's principal economic

nomic growth (and hence revenues) would pay for 27 per cent of the tax cuts. This embitious "growth dividend" reflects the assumed positive impact not just of tax cuts but of other measures in the plan, such

\$393bn in expenditure cuts would have to be yes. already outlined by the Republican Congress.

In practice such numbers mean little. The Democrats crucified Mr Newt Gingrich the House speaker, last year for proposing modest curbs on the growth of Medicare, the federal healthcare plan for the elderly. In the campaign, Mr Dole (like President Clinton) will therefore

convention in San Diego are working hard to make the four-day Bob Dole love-fest palatable to TV viewers, but realise this may be an uphill fight. To rein in the long-winded, most speeches will be five or six minutes

\$548ho over six years, or not discuss the long-term future of either Medicare or Social Security, the even more expensive public pen-sion programme. Nor is he talking about defence, even though he has signalled support for a costly "star wars" initiative.

Yet the future of federal deficits will be largely deter-mined by decisions on "entitlement" programmes, especially social security. As president Mr Dole, if supported by a Republican Congress, would almost certainly impose tougher curbs on entitlement spending than Mr Clinton. The question is whether his extra toughness would more than offset tax cuts and higher

broader plan. Sounding suspiciously like Candidate Clinton in 1992, Mr Dole says his first priority is faster economic growth. Echoing Democretic criticisms of thenpresident George Bush, be accuses Mr Clinton of presiding over an era of stagnant wages and "diminished expectations". Under Mr Clinton growth has everaged 2.4 per cent a year, against

3.2 per cent during the entire decade of the 1980s. Mr Dole argues that faster growth requires "a funda-mental overhaul of the tax system". He would greatly reduce or eliminate the present hiases against savings and investment and do eway with many loopholes for spe-cial interest groups. Hs would simplify the tax code to the point where most taxpayers could file returns on s postcard. The bureaucratic Internal Revenue Service would be a prime candidate for ruthless "downsizing".

If he reached the Oval Office, Mr Dole would also seek faster growth by reducing the economic burden of federal regulations, which is currently estimated at about \$670bn e year (or \$6,000 per household), and by reforming the highly inefficient

People First manifesto of 1992, Mr Doie emphasises his



Bob Dole: faster growth requires tax overhaul

improving opportunity from one generation to the next." But his recipe for reform is more radical than anything the Democrats have contemplated. As president he Finally, taking a page scheme allowing parents to spend tax dollars on advantage of the state of as well as public (governively than currently envis- also cut non-defence spend- defence spending. If he deliv- commitment to educational ment) schools. What the area of the budget ged.

The proposed tax cuts and take advantage of amendment, the answer single greatest force for Mr Dole, is not more money for political reasons. ment) schools. What the

The Dole plan is an ambi-tious mixture of fiscal aus-

terity and mlcroeconomic reform. The goal of passing a balanced hudget amendment to the Constitution while cutting marginal tax rates is not self-contradictory. But it would require restraint of entitlement spending - an area of the budget that Mr Clinton has refused to touch

AMERICAN NEWS DIGEST

# Index points to US growth

A key gauge of US economic activity strengthened in June, the Conference Board, a business analysis group, said yesterday, despite providing additional signs of slowing in the industrial sector.

The index of leading indicators, designed to forecast economic trends six to nine months ahead, rose by 0.5 per cent in June after a revised 0.2 per cent increase in May. Higher prices for commodities helped drive the index up, but orders received by factories for durable goods were lower than in May.

The overall monthly gain in the index during June was moderately stronger than anticipated by Wall Street economists who had forecast a 0.3 per cent rise.

The leading index measures a basket of economic indicators from unemployment benefit claims to building permits. Six of its 11 components were higher in June while five weakened.

The signals of rising activity in June were led by increased commodity prices, slower vendor deliveries, rising consumer expectations and a higher money supply, The average working week was longer and stock prices

The negative indicators were fewer new orders in June for durable goods and reduced orders for new plant and equipment. Order backlogs also fell. Reuter, Washington

#### Vesco awaits Cuban verdict

Mr Robert Vesco, the fugitive US-born financier on trial in Cuba on charges of fraud and illegal economic activity, faces a possible 20-year jail sentence after a Havana court adjourned at the weekend to consider its verdict.

The prosecution maintained its request for a guilty verdict and a 20-year term after a public hearing in which

Mr Vesco was accused of trying to defraud the Cuban government and foreign investors in a project to devslop an alleged wonder drug, called TX, supposedly effective against cancer and Aids.

Mr Vesco, who is also wanted in the US for drug-trafficking and embezzlement, denies the Cuban charges against him. Under the Cuban system, the court, which consists of judges and no jury, will deliver the verdict and sentence together. Pascal Fletcher, Havana

#### Samper fined for noisy landing

French authorities fined Colombian President Ernesto Samper \$10,000 for making an unusually noisy landing with his Boeing 707 presidential jet at Orly airport in Paris, the Colombian news magazine Semana reported

Semana said Mr Samper, who suffered the indignity of having his US tourist visa revoked last month, was cited during an official visit to Paris last week for violating noise pollution controls. Orly also charged an additional \$1,000 for landing rights.

#### DR opposition wooed

Dominican Republic President-elect Leonel Fernandez met opposition party members on Sunday to boister his party's weak showing in congress. Set to take office on August 16, Mr Fernandez hopes to

sell power plants and revise financial laws, which would require opposition support since his Dominican Liberation party controls less than 10 per cent of the AP. Santo Domingo legislature.

# **NEWS: INTERNATIONAL**

# Past stalks France's future in Africa | Clinton plea to

when France's President Jacques Chirac made his first visit to central Africa last month, that he chose to deliver his key speech in Brazzaville, on the banks of the Zaire river.

It was in the Congolese capital, base for the extled Charles de Gaulle's campaign to free France from Nazi rule, that the framework for relations between Paris and its soon-to-be-liberated African colonies was

By speaking there, the Gaullist president was 9,000 French troops, stabroadcasting reassurance to Francophone African leaders worried about Paris's commitment to the continent. "Plus ça change." the message went, "plus c'est la meme chose" (the more things change, the more they stay the same).

But the African leaders are right to be anxious. For analysts agree that, when it comes to France's policy on Africa, a battle for Mr Chirac's soul is taking place. It is a battle between two

schools of thought, represented by two individuals. At one extreme is Mr Jacques Foccart. Gen de Gaulle's Africa adviser. recalled from retirement. At the other, the prime minister, Mr Alain Juppė, Mr Chirac's long standing ally.

Now a frail octogenarian. Mr Foccart is a living symbol of France's policy in Africa since independence. Critics often quip that

what made France's decolonnever decolonised at all. Gen de Gaulle's message to coun-

at the world's largest plati-

num mine also appeared

round of wage talks in full

close to full settlement.

force and judiciary. "Buenos Aires is not a province, it is a municipality," said Mr Ruc- place. kauff, who represents the governing Peronist party on the constitu-

ent assembly. As such it was subject to various restrictions by federal authority, he said. The constituent assembly,

elected in June to draw up the statutes for the city, is dominated by opposition parties, most notably the centre-left Frepaso alliance.

delegates, with the Peronist party

Buenos Aires mayor walks into self-rule row

Mrs Graciela Fernández Meijide, who heads the Frepaso delegation, said she would fight for the "total autonomy of the city", and resist all attempts to limit the authority of its elected representatives by the federal government. Until the election of Mr De la Rua, mayors were appointed by the president.

the right to hold legislative elec- The Radical party of Mr De la Rús co-operation of the existing admin-tions and to set up a local police has the second highest number of istration in Buenos Aires to ensure said. "The autonomy of the city a smooth transition, has tried to should be broad and, when the play down the conflict. should be broad and, when the beaten into an embarrassing third play down the conflict.

preserve good relations with the national government, with which

The new mayor, who takes over rich city but one plagued by financial headaches, is also keen to

he will have to negotiate future tax-sharing arrangements. Nevertheless, Mr De la Rúa has eral interference in Buenos Aires'

gave in to IMF pressure to

devalue the CFA franc by 50

per cent in 1994, a move

regarded as overdue by econ-

African governments appeared to signal the start

Later that year, the hor-

rors of Rwanda highlighted

the risks of over-intimacy.

French support for a geno-cidal regime tarnished Paris

in the eyes of the world. By

using Zaire as a base for

Operation Turquoise, Paris

also owed President Mohutu Sese Seko a massive favour.

and later felt obliged to

resume aid to a country

Torn between "normalisa-tion" and "the old ways",

French policy, analysts say,

is currently swinging from

one extreme to another.

snubbed by the west.

of French disengagement.

one newspaper columnist has jibed that from today President Carlos Menem will be a "guest in De la Rua City". The president, who does not

want Buenos Aires to hecome an effective focus for the opposition, said he would take the matter to made clear he will not accept fed- the Supreme Court if the constituent assembly persisted in its drive Mr De la Rúa, who needs the affairs. "The declaration of the for autonomy.

Last year Paris provided

\$8.4bn in aid - some 0.55 per

cent of GDP - to developing

countries, most of them Afri-

can, compared with Britain's

0.38 per cent. A recent report

on aid, commissioned by Mr

as pointing the way ahead.

strong it does not need a

"special relationship" to pro-

tect its interests, deputy

Yves Marchand called for an

end to "tied aid" and the

pleying field when compet-

ing for contracts. Regarded

status quo. France has asso-

singhe Eyadema, Camer-

oon's Paul Biya, Zaire's Mob-

As was seen in Rwanda

where the new regime has

nothing hut contempt for

Paris - young Africans are

unlikely to forget France's role once such "dinosaurs"

"In years to come, France will be regarded by Africans

as a country that abandoned

them economically and at the same time failed to free

them from oppression," says

Mr Olivler Valle, a specialist

on the CFA franc, "From the

French side we've gone to a

colder, saner relationship.

accounts shroad.

quit the stage.

than Foccart tradition.

omists but which for many Juppe, is regarded by many

# US allies over Iran and Libya

By Nancy Dunne

Arguing that France's position in Africe is so President Bill Clinton yesterday signed a controversial bill imposing new sanctions on Iran and Libya and said he hoped US allies could he persuaded to co-operate with the meaestablishment of a level sures against "two of the most dangerous supporters of terrorism in the world".

The move, which also taras a trial balloon, the report falls in the Juppé, rather gets foreign companies making energy investments in Libya and Iran, aroused But for many critics of French policy, the shift will anger - and prompted warnings of retaliation - from come too late. Favouring the European allies of the US. Germany said the US was taking a "wrong path". ciated itself indelibly with the likes of Togo's Gnas-France warned the US that the European Union would utu - men with blood on strike back their hands and fat bank

The European Union has fiercely opposed the sanctions and threatened counter-measures. Sir Leon Brit- rel, up 41 cents from Friday's tan, vice-president of the European Commission, yes-day before falling back.

that one country can dictate the foreign policy of others". The legislation requires the US president to impose

terday condemned the legis

lation because it "establishes

the unwelcome principle

sanctions on foreign companies which invest \$40m or more within a year in the energy sectors of Iran and Libya. He would be required to impose at least two sanctions from options which include:

 Import and export bans; Lending embargoes from US banks:

· A ban on US procurement of goods and services from sanctioned companies; A denial of US export fin

Heightened between Iran and the US has pushed oil prices higher. Brent Blend for Sentember delivery rose to \$19.95 a bar-

# Signs of hope for Israel-Syria talks

Mr Benjamin Nstanyahu, Israel's prime minister, said yesterday his government had submitted a proposal to Syria to renew peace talks amid speculation about a fresh diplomatic initiative in the Middle East.

The announcement came during Mr Netanyahu's first official visit to Jordan as prime minister, and followed what he called encouraging words from King Hussein of Jordan about Syria's intention to resume the peace talks. King Hussein met Syrian President Hafez al-Assad on Saturday, "On our side there is readi-

ness to renew the peace negotiations with Syria," Mr Netanyahu said.

His comments fuelled spec-

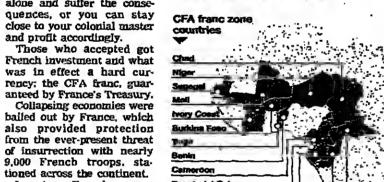
ulation that Israel, the US and Jordan wers co-ordinat-ing a new initiative to revive comprehensive Middle East peace negotiations. The Israeli leader said his

■ FREE L

foreign policy aide had made new proposal to Syria through the US last Friday. This move followed Mr Netanyahu's so-called "Leha. non first" proposal whereby Israeli troops would withdraw from a south Lebanon occupation zone if pro-Iranian Hizbollah guerrillas were disarmed and Israeli border security guaranteed. Mr Netanyahu believes the

"Lebanon first" proposal, not a formal peace treaty, could build confidence with Syria. He welcomed next week's five-nation committee monitoring a limited ceasefire between Israeli forces and Hizboliah guerrillas,

#### Michela Wrong on a policy battle for President Chirac's soul dur's term that Paris finally



nies won the lion's share of government contracts and monopolised national markets, boxing potential competitors out of France's "private bunting ground". African presidents were covert contributors to the

electoral campaigns of both right and left. They could also be counted on to support France in international forums such as the United Nations, allowing a small country a disproportionate level of clout, while propping up the campaign to maintain

President Omar Bongo was isation special was that it auditioned to see if be was up to the job. Ivory Coast's President Felix Houphouet-

tion having eased to 7.5 per

cent and the rand's 20 per

since February likely to

The French in Africa alone and suffer the conse-

In return French compa-Congo Central African Republic

French as a world language. The cement hinding this paternalistic arrangement were the extraordinarily intimate relations between a generation of French politicians, husinessmen and African leaders. Central African Republic's "Emperor" Jean Bedel Bokassa, called Gen de Gaulle père (father). Gabon's

ended up spending more time there than at home. The croneyism was not

exclusive to the Geullists. Despite a famous speech in which socialist President François Mitterrand promised to make aid conditional on democratic reform, he turned a blind eye to ebuses. His son, in true Foccart style, was friendly with Rwande's genocidal leader-

This tradition only came under scrutiny in 1993, when Mr Edouard Balladur was appointed prime minister. A technocrat with no Africa links, Mr Balladur

mutual back-scratching. Mr

Juppe, then foreign minister, concurred commissioning a telling report on corruption among Africa's leadership.

Trying to scale down its budget deficit and mset Maastricht'a criteria for full European Union, Paris was finding bailing out discredited regimes increasingly tiresoms. It was time, both men feit, to "normalise" relations with Africa.

straight into countries' treasurles. Above all, it would only be awarded to nations meeting International Mone-It was during Mr Balle-

Thus, promises Paris would not intervene when

Word went out that from now on, aid would go to projects rather than be pumped

mercenaries atormed the Comoros were swiftly fol-lowed by intervention. An operation in mutiny-hit Central African Republic, initially to save French lives, soon blurred into a Foccartstyls initiative to keep an unpopular protegé in power.

and business."

"Chirac is caught between his old triendships and the need to move on," says Mr Antoine Glaser, who edits the African newsletter Lettre du Continent. "Policy is an ambiguous mixture of paternalism, moralism, friendship

In the long term, the Juppé line appears more likely to triumph, as the bur-

South Africa



1986 83 85 50 21 22 93 94 95

#### Africa workers claim strike victory By Roger Matthews swing the risk of industrial were expected to put up Rustenburg platinum mines a security guard, and a tougher resistance. action remains in other secwhere Anglo American last in Johannesburg tors of mining, the railways, The textile workers month dismissed all 28,000 workers after what it said South Africa's \$0,000 textile municipal services and the claimed yesterday manageworkers returned to work motor industry. ments had conceded a furwere impossible demands. Mr Tito Mboweni, the yesterday claiming victory The average level of pay ther 1 per cent pay rise. minister of labour, inter- mine managements and an in their week-long pay settlements last year was Both sides settled on a 9 per strike. A month-long dispute 11.5 per cent hut, with inflacent rise, 2 per cent more

than initially offered, and 1 per cent below the union cent fall against the dollar demand.

vened in the dispute at the weekend following management warnings that the company would extend until security situation at the August 16 the deadline for Work was also returning mine was deteriorating. all dismissed workers to push up costs, employers to normal yesterday at the This followed the murder of reapply for their jobs,

group of armed men intimidating workers at one of the mine hostels.

After two days of talks between Mr Mboweni, the unofficial workers' committee, it was agreed that the

From the African side there's a terrible feeling of disappointment."

#### **NEWS:** WORLD TRADE

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# . Russia loses ground in timber shake-out

Scandinavia has benefited from the market's realignment

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E ALL VIEW

The collapse of the Soviet Union and the subsequent political and economic disruption in Russia have led to a big realignment of the European timber trade.

Russia's share of softwood exports to the main Euro-pean markets has almost halved from nearly 14 per cent in 1991 to less than 8 per cent last year, according to figures produced by the Timber Trade Federation of the UK. The main beneficiaries have been Scandinavian countries, which he ve increased exports as Russian suppliers, struggling to cope with the transfer from state to privete ownership, have lost ground

Baltic states such as Latvia, Lithuania and Estonia, which previously exported little timber outside the former Soviet Union, also have

Timber exporters' sales to western Europe: a sharp shift in fortunes



sales - mainly by replacing

1991 to approaching 6 per

cent last year.

The countries mainly supply lower grade timber for Russian timber into the UK construction and pallet and

year accounted for almost 10 Canadian exports, which per cent of foreign timber have been diverted to more profitable Pacific Rim mar-biggest softwood importer. profitable Pacific Rim mar-tets. Lithuania and Estonia The European market together accounted for share of the Baltic states has another 3 per cent, according risen from virtually zero in to Meyer International. Europe's biggest timber mer-

in the 1920s. It remains the seen big rises in foreign case making. Latvia last biggest overseas purchaser

of sawn wood in the country. Russian exports are mostly higher grade joinery timber used to make doors, windows, architraves, skirting boards and other products. Under the communist sys-

tem the state agreed annual volumes, supplied the logs, then bartered or sold the sawn timber and arranged Mr John Dobby, its chief 62m cubic metres in 1991, shipping, through a series of executive, says: The fall in according to Meyer. complex structures. .

only with producing sawn

Meyer, unlike other buyers, has maintained the proportion of its imports - 30 per cent - it takes from Russia. To help struggling mills it provides money up front to enable them to purchase

Mr John Dobby, its chief Russian production reflects

where in a country which is trying to switch from a command to a capitalist economy while much of its infra-

structure has fallen apart. "They have no organised log supply, no money, poor transport and services, no experience of marketing and a banking and political system which is in some disarray. It is difficult to conduct business in this climate and it should be no surprise that some customers have turned to other more secure markets," he says.

Russian exports to western Europe, meanwhile. beve slumped from 3.1m cubic metres in 1991 to 1.9m cubic metres last year. Low wood prices have not helped Russian suppliers which lack the balance sheet strength of Scandinavian rivals to remain competitive when

Domestic sales also have slumped. Russian softwood production is currently running at ebout 24m cubic metres a year compared with 77m cubic metres in 1988 and

**Andrew Taylor** 

# embraces the cause of free trade

Brussels advocates liberalisation with convert's passion, writes Guy de Jonquières

Brussels advocates liberalisation with convert's passion, writes Guy de Jonquières adjusting to the novel notion stragglers, in the drive for trade policy official, further global liberalisation. Meanwhile, Sir Leo

Many of the European Union's trade partners will long as the EU continues to embrace a highly protectionist farm policy, restrict Japanese car sales and slap antidumping duties on chesp imports, its free-frade credentials will remain suspect.

However, there are clear signs of a shift in EU thinking. It is pressing harder than any other big trading power to beef up the multiing for months that Decem- Europe to turn inwards. More recently, controver- trade. ber's ministerial meeting of There seem several, closely

ment and, more controver—sion. His position there, and sially, labour standards. He in the Council of Ministers, also seeking stricter disci- has been bolstered by the EU lateral trade rules. regional trade blocs, and tudes have belied to offset trade measures to help the the protectionist inclinations poorest countries. By contrast, the US. Japan Another factor is the grow-third, and perhaps most Leon may be getting too far However, some EU legal

Meanwhile, Sir Leon has successfully resisted new EU

rebutted convincingly - that are taking e low-key that the US has, et least temthey were out to create a approach, viewing the WTO porarily, abandoned an Europe needs a strong and "Fortress Europe", closed to conference largely as a active international trade effective WTO because it has the rest of the world. Now, stock-taking session. "We policy role. EU officials no attractive alternatives to to their europrise, they are are on the leading edge of openly accuse Washington of open global trade. the leading edge of liberalis- dragging its feet in the WTO of becoming leaders, not ation," said one Commission and on bilateral issues, such as a plan to lower transatlantic trade barriers.

US reluctance to play its trade barriers and is work- traditional role as champion need much persuasion that ing discreetly to sheathe of the multilateral trade sys-It really has changed. As some of its more aggressive tem has encouraged the EU

> US reluctance to play its role as champion of multilateral trade has encouraged Europe to fill vacuum

dumping policy.

plines to prevent the global entry of Finland and Sweeconomy fragmenting into den, whose free-trads attiof Mediterranean members.

WINITED STATES . JAPAN

trade weapons, such as anti- to try to fill the vacuum. Its willingness to do so has This drive for more open grown since its unexpected Leon Brittan, the trade com- growth and high unemploy- financial services liberalisa- any public mention of fur- world trade agenda.

missioner, has been demand- ment make it tempting for that after the US pulled out. ther liberalisation of farm His initiatives have

sial US legislation aimed at the World Trade Organisa- related, reasons why it has penalising foreign investtion prepare for a new round not done so. ment in Cuba, Iran and of negotiations to lower One is Sir Leon's personal Libya has emboldened the trade barriers. influence as a committed lib EU to take a firm stand He is urging the WTO to eral and a dominant figure against Washington. Brustackle new issues, including in an otherwise largely sels has rebuked the US, not often protectionist car. Furthermore, there are suscompetition policy, invest- undistinguished Commis- just for threatening Euro-

The unexpectedly strong support from member states for a tough EU response in these disputes also appears to have underpinned the

which they have not always and many Asian countries ing perception in Brussels important, element. This is the dawning realisation that

> Although the EU has a web of bilateral trade links with other countries, they account for a tiny share of world trade. There are growing complaints in Brussels that European exporters have been put at a disadvantage by the North American Free Trade Agreement and fears that they will face dis-crimination from other emerging trade groupings,

above all in Asia.

Hence the EU's growing determination to promote the WIO as the best safeguard of its own interests. True, many members still do ahead of EU governments experts think they may be

accepts privately that WTO such as his call for WTO disnegotiations on the issue are inevitable in the next few rights - risk opening divi-years. rights - risk opening divi-Assua-

makers seem resigned to the picions that his proposals for removal of EU quotas on a rapid and robust EU Japanese marques in 1999, as response to controversial US planned.

E GERMANY

plenty of obstacles which could throw the EU's drive the expense of its members. for freer trade off track. So far, only the UK has for freer trade off track. Some observers think Sir



Sir Leon; seeks new round of talks to lower trade barriers

be endorsed by the Council Yet EU officials say Paris of Ministers and some cussions on trade and labour They also say Europe's important trade partners. trade legislation could Nonetheless, there are involve an attempt to expand the EU's powers et

voiced such doubts openly.

markets is particularly success a year ago in rescu- not find concessions easy. and other WTO members in echoed by other countries, lateral trade agenda. Sir remarkable, when weak ing WTO negotiations on France, for instance, balks at pressing for a beavyweight such as France, which are equally insistent on sover-His initiatives have yet to eign prerogatives. Such dis-agreements could complicate EU efforts to present a united front to the US.

Some also think Sir Leon's scathing attacks on US trade policy may have gone too far. Though they have belped rally support from EU governments, they have infuriated Washington.

Most trade policy-makers in Brussels are too buoyed up by their new-found sense of purpose to dwell on such misgivings. It should become clearer in the antumn whether their confidence is

WORLD TRADE NEWS DIGEST

# Burma hits back at European beer companies

Burma yesterday banned all imports of Heineken and Carlsberg beers in a retaliatory action against the two brewers which last month withdrew their investment in Burma. State-run radio said that the Ministry of Finance and Revenue issued an order banning the imports of beer and that they would be confiscated if they were found on sale in restaurants or stalls.

Heineken and Carlsberg pulled out of Burma following intense lobbying by buman rights activists who protested against the country's human rights record.

Heineken withdrew its \$30m investment plan for a new brewery in Burma after boycott threats. Carlsberg also announced it was dropping plans to invest in a brewery in

Heineken had the largest share of Burma's beer market with about 35-10 per cent of consumption. Foreign Staff

#### Seoul anxious on 'open skies'

South Korean government officials yesterday said it was unlikely that North Korea would allow overflights from South Korean airlines, despite its agreement with the International Air Transport Association (Ista) to open its skies to world airlines.

lata, which represents 235 airlines accounting for some 95 per cent of all international scheduled flights, said the way was cleared last week for the opening North Korea's airspace in December.

Under the accord with Pyongyang's General Administration of Civil Aviation (Gaca), Iata will collect overflight fees to be used for upgrading air traffic control

lata said its agreement with North Korea would save eviation companies operating in the region more than \$125m a year in fuel costs by reducing flying time. Analysts said that Pyongyang's move towards open skies was prompted by its desire to open its northeastern free trade zone of Rajin-Sonbong to foreigners. Foreign Staff

#### Australia, NZ in TV talks

The New Zealand and Australian television industries are reviewing the scope of access to the Australian networks following a federal court ruling that the Australian Broadcasting Authority's "local content" quotas should be changed to include New Zealand programming.

The issue has been a cause of friction for some time, and has featured in top-level ministerial talks. Australia and New Zealand have a free trade agreement - known as "Closer Economic Relations" - and New Zealand has argued that this should allow their programming to qualify as "local content" in the larger country.

ABA quota rules require that a minimum percentage of programming put out by commercial broadcasters between 6am and midnight be sourced from Australia, and that a given amount of first-release local drama is also screened. The court ruling said that the ABA standards were in conflict with the CER protocol, which states that provision of services includes "access to and use of domestic distribution systems". Nikki Tait, Sydney

#### Qatar-Japan loan accord

The Qatar Liquefied Gas Company (Qatargas) has signed ent with Export-Import Bank of Japan to finance the third gas train project at Ras Laffan, under construction by Japan's Chiyoda Corporation.

The loan will cover 70 per cent of the project's costs, with the remainder funded by Qatargas's shareholders The 12-year loan includes a two-year grace period. The limited recourse financing agreement came 15 months after Qatargas secured \$2bn worth of Jepanese financing for the first two trains on its integrated gas project.

The first train on the Qatargas development is scheduled to begin operations in September, and will be followed in early 1997 by train two. The first liquefied natural gas (LNG) carrier is due to be loaded in December this year. Qatar's offshore North Field is the world's largest single reservoir of natural gas, with estimated reserves of 7.100bn cubic metres

It has made Qatar the third top gas power in the world after Russia and Iran.

#### INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vecency rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unamployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

			finali pains poisson	Instruction	· · Unemp-	rate rate	Composite leading	State Sales Valcant	Industrial production	Uperap- leyment rate	Vectory rate Indicator	Companie	Publi	-	Unemp- tryment.	rate indicator	leading .
- ·	. <del>-</del> '	1985	100.0	100.0	7.1	100.0	91.3	100.0	100.0	2.6	100.0	76.3	100.0	100.0	7,1	100.0	89.7
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		1990	116.2	1124	5.5	82.7	95.3	141.7	124.5	2.1	148.8	95.8	123.5	117.2	4.8	261.8	98.2
•		1991 1992	113.5	110.4 114.2	· 7.4	61.7	100.2 · 105.0	144.5 139.9	126.8 119.0	2.1	144.2	92.8 91.4	130.5 127.7	117.8 116.4	4.2 4.8	297.9 287.8	95.1 89.1
•		1993	123.4	118.2	. 8.8	79.0	110.7. 112.9	131.8	.113.5 114.5	2.5	106.6	96.8	122.3 120.4	109.1 113.9	6.1 6.8	229.0 240.4	95.1 103.5
		1994 1995	136.1	129.3	5.5	79.8	112.9	126.8	118.5	3.1	108.5	109.1	12404	114.1		267.8	100.7
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		October November	2.0	1,7	5.5	. 76.9	· 111.8	-1.3	. 0.0	3.4	109.8	108.7		-2.8		261,3	100,8
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s of hope	to alk	1985 1986 1967 1968 1968 1969	100.0 102.4 104.5 167.9 109.5 110.4	100.0 101.1 103.1 107.3 111.3 112.8	10.3 10.4 10.5 10.0 9.4 8.9	107.0 117.2 135.3 160.6 163.2	95.5 95.3 100.1 99.8 95.0	100. 106. 107. 118. 114.	100 B 104 B 114 B 118 5 118	100 .100 .100 .100 .100 .100 .100 .100	9.6 10.4 10.9 10.9 10.9	88.4 94.5 95.1 100.5 98.6 85.3	100.0 105.3 110.8 117.8 120.1 121.1	100.0 102.5 108.5 111.6 114.0 113.7	11.2 11.2 10.3 8.5 7.2 6.9	100.0 116.1 141.0 124.3 97.8	90.2 92.8 96.5 96.2 94.6 82.3
s of hope 4-Syria to	toi alki	1967 1968 1968 1990 1991	100.0 102.4 104.5 107.9 109.5 110.4 110.3	100.0 101.1 103.1 107.3 111.3 112.8	10.3 10.4 10.5 10.0 9.4	107.0 117.2 135.3 160.6	95.5 95.3 100.1 99.8	100. 106. 112. 107. 118.		100 100 100 100 100 100 100 100 100 100	9.6 10.4 10.9 10.9 10.9 10.3 9.8	88.4 94.5 95.1 100.5 98.6 95.3 97.5 94.5	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4	100.0 102.5 108.5 111.6 114.0 113.7 109.5 109.4	11.2 11.2 10.3 8.6 7.2 6.9 8.5 10.1	100.0 116.1 141.0 124.3 97.8 68.5 69.8	90.2 92.8 96.5 96.2 94.6 82.3 95.3 87.7
s of hope 4-Syria to	101 alki	1907 1988 1988 1990 1991 1992 1993	100.0 102.4 104.5 167.9 109.5 110.4 110.5 110.5	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7	107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.5 95.3 100.1 99.8 95.0 96.3 94.8 96.2	100. 106. 106. 107. 118. 114. 110. 118.		100 100 13 13 13 13 14 10	9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2	88.4 94.5 96.1 100.5 98.6 95.3 97.5 94.5 101.3	Tenal value volume 100.0 105.3 110.8 120.1 121.1 119.4 120.4 123.9	Industrial predoctions 100.0 102.5 108.5 111.6 114.0 113.7 109.5 109.4 111.6	11.2 11.2 10.3 8.6 7.2 6.9 8.8 10.1 10.4	100.0 118.1 141.0 144.0 124.3 97.8 68.5 69.8 76.5	90.2 92.8 96.5 96.2 94.6 92.3 95.3 87.7 104.8
s of hope 4-Syria to	for alk	1907 1968 1968 1990 1991 1992	100.0 102.4 104.5 107.9 109.5 110.4 110.3	100.0 101.1 103.1 107.3 111.3 112.8 111.4	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4	107.0 117.2 135.3 160.6 163.2 128.2 109.5	95.5 95.3 100.1 99.8 95.0 96.3 94.8	100. 106. 106. 112. 107. 118. 114. 110.		100 100 13 138 129 14 150	9.6 10.4 10.9 10.9 10.9 10.3 9.8	88.4 94.5 95.1 100.5 98.6 95.3 97.5 94.5	100.0 105.3 110.8 117.8 120.1 121.1 119.4 120.4	100.0 102.5 108.5 111.6 114.0 113.7 109.5 109.4	11.2 11.2 10.3 8.6 7.2 6.9 8.5 10.1	100.0 116.1 141.0 124.3 97.8 68.5 69.8	90.2 92.8 96.5 96.2 94.6 82.3 95.3 87.7
s of hope 4-Syria to	for alks	1968 1988 1989 1991 1991 1992 1993 1994 1995	102.4 104.5 167.9 109.5 110.4 110.3 110.5 110.7 110.7	hdustul production 100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 106.8 110.0 111.7	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.8	107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.5 95.3 100.1 99.8 95.0 96.3 94.8 96.2 101.5 97.0	100. 106, 106, 112. 107. 118. 114. 110. 116. 116. 117.	D 100 8 104 1 106 5 114 5 118 5 118 9 116 9 115 1 113 4 119 3 127	100 100 100 100 100 100 100 100 100 100	9.6 10.4 10.9 10.9 10.9 10.3 9.8 9.8 10.2	88.4 94.5 95.1 100.5 98.6 95.3 97.5 94.5 101.3 103.3 101.8	100.0 105.3 110.8 117.8 120.1 121.1 119.4 123.9 128.5 128.9	Industrial predoction 100.0 102.5 108.5 111.6 113.7 109.5 109.4 111.6 120.4	11.2 11.2 10.3 8.5 7.2 6.9 8.8 10.1 10.4 9.5 8.7	100.0 116.1 141.0 124.3 97.8 68.8 98.9 107.8	90.2 92.8 96.5 96.2 94.8 82.3 95.3 95.3 107.2 108.4
s of hope 4-Syria to	101 alks	1968 1988 1989 1990 1991 1992 1993 1994 1995 3rd qtr.1995 4th qtr.1995	100.0 102.4 104.5 107.9 109.5 110.4 110.3 110.7 110.7	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 105.8 110.0 111.7	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.8	107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.5 95.3 100.1 99.8 95.0 96.3 94.8 96.2 101.5 97.0	100. 106. 107. 108. 112. 107. 118. 114. 110. 116. 114. 107.		100 100 13 13 13 13 13 13 13 13 13 13 13 13 13	9.6 10.4 10.9 10.9 10.9 10.9 10.3 9.8 10.2 11.1	88.4 94.5 95.1 100.5 98.6 95.3 97.5 94.5 101.3 103.3 101.8	100.0 105.3 110.8 120.1 121.1 121.1 121.4 120.4 123.5 128.9 0.5 1.2 2.1	Industrial production 100.0 102.5 109.5 111.6 114.0 113.7 109.5 109.4 111.6 117.4 120.4 1.5 1.8 1.3	11.2 11.2 10.3 8.6 7.2 6.9 8.5 10.1 10.4 9.5 8.7	100.0 116.1 141.0 144.0 124.3 97.6 68.6 69.8 76.5 93.9 107.8 111.7 111.8	90.2 92.8 96.5 96.2 94.6 82.3 95.3 95.7 104.8 107.2 108.4
s of hope 4-Syria to	101 alks	1968 1988 1989 1991 1991 1992 1993 1994 1995	100.0 102.4 104.5 197.9 109.5 110.4 110.5 110.7 110.7 110.7	100.0 101.1 103.1 107.3 111.3 112.8 111.4 110.0 106.8 110.0 111.7	10.3 10.4 10.5 10.0 9.4 10.4 11.3 11.8 11.9	107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.5 95.3 100.1 99.8 95.0 96.3 94.8 96.3 94.8 96.3 97.0 97.0 97.5	100. 100. 107. 118. 114. 110. 116. 116. 117. 102.	be in the second of the second	Mai 100 100 100 100 100 100 100 100 100 10	9.6 10.4 10.9 10.9 10.9 10.9 10.3 9.8 9.8 10.2 11.1	88,4 94,5 96,1 100,6 95,3 94,5 101,3 103,3 101,8 90,8	100.0 105.3 110.8 117.8 120.1 121.1 121.1 123.4 123.4 123.9 128.5 129.9	Industrial production 100.0 102.5 109.5 111.8 114.0 113.7 109.4 111.8 117.4 120.4 1.5 1.8 1.3 1.1	11.2 11.2 10.3 8.5 7.2 6.9 8.5 10.1 10.4 9.5 8.7 8.8	100.0 118.1 141.0 124.3 97.8 68.8 76.5 93.9 107.8 109.8 111.7 111.9 121.3	90.2 90.2 90.5 96.5 96.5 96.8 82.3 96.3 87.7 104.5 107.2 108.4 105.4
s of hope	101 alki	1968 1988 1980 1991 1992 1993 1994 1995 3rd qtr.1995 4th qtr.1995 4th qtr.1996 2nd qtr.1996	100.0 102.4 104.5 107.9 108.5 110.4 110.3 110.5 110.7 110.7 110.5	100.0 101.1 103.3 111.3 112.4 110.0 106.8 110.0 111.7 0.2 -2.1 -0.4	10.3 10.4 10.5 10.0 9.4 8.9 9.4 11.7 12.3 11.8 11.8 11.8 11.8	107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.5 95.3 100.1 99.8 95.0 96.3 96.2 101.5 97.0 97.5 97.0 98.8	100. 105. 107. 118. 118. 116. 116. 116. 117. 102.	100 100 100 100 100 100 100 100 100 100	100 100 100 100 100 100 100 100 100 100	9.6 10.4 10.9 10.9 10.3 9.8 10.2 11.1	88.4 94.5 95.1 100.6 95.3 97.5 101.3 103.3 101.8 102.6 102.6 102.5	100.0 105.3 110.8 120.1 121.1 121.1 123.4 123.9 128.5 128.9	100.0 102.5 108.5 111.8 114.0 113.5 109.4 117.4 120.4 1.8 1.3 1.3 1.1	11.2 11.2 11.2 10.3 8.6 7.2 6.9 8.8 10.1 10.4 9.5 8.7 8.8 8.7 8.8	100.0 118.1 141.0 124.3 97.8 68.6 69.8 76.5 93.9 107.8 109.8 111.7 111.8 121.3	90.2 90.2 90.5 96.2 96.5 96.2 96.3 95.3 95.3 97.1 104.5 106.0 105.4 105.5
s of hope	101 alki	1968 1988 1980 1991 1992 1992 1994 1995 3rd qtr.1995 4th qtr.1995 2nd qtr.1996 2nd qtr.1995 August	100.0 102.4 104.5 107.9 108.5 110.5 110.5 110.7 110.7 110.7 110.7 1.8 -0.7	hidwards production 100.0 100.1 107.3 111.3 112.8 111.4 110.0 106.8 110.0 111.7 0.2 -2.1 -0.4	10.3 10.4 10.5 10.0 9.4 8.9 9.4 11.7 12.3 11.8 11.9 12.2	107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.5 95.3 100.1 99.8 95.0 96.2 101.5 97.5 97.0 98.8	100. 100. 107. 118. 114. 110. 118. 114. 107. 102. -3. -7.	behave be behave be behave beh	100 100 100 100 100 100 100 100 100 100	9.8 10.4 10.9 10.9 10.3 9.8 10.2 11.1	88.4 94.5 96.1 100.5 98.6 95.3 101.3 103.3 101.5 102.6 104.8 90.5	100.0 105.3 110.8 117.8 120.1 121.1 121.4 123.9 128.5 128.9 0.5 1.2 2.1 2.8	100.0 102.5 100.0 102.5 111.8 114.0 113.7 109.5 109.4 111.8 117.4 120.4 1.8 1.3 1.1	11.2 11.2 10.3 8.6 7.2 6.9 8.5 10.1 10.4 9.5 8.7 8.7 8.7 8.8 8.4	100.0 118.1 141.0 124.3 97.8 68.5 69.8 76.5 93.9 107.8 108.8 111.7 111.9 121.3 108.8 108.1 114.0	90.2 90.2 90.5 96.5 96.5 96.3 96.3 87.7 104.5 106.0 105.4 105.5 106.5 106.0
s of hope	101 alki	1968 1988 1980 1991 1992 1993 1994 1995 3rd qtr.1995 4th qtr.1995 4th qtr.1996 2nd qtr.1996 July 1995 August September October	100.0 102.4 104.5 107.9 108.5 110.4 110.3 110.5 110.7 110.5 0.2 -2.5 0.7	100.0 100.1 107.3 111.3 112.6 111.4 110.0 106.8 110.0 111.7 0.2 -2.1 -0.4	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.8 11.8 11.9 12.2 11.8 11.8 11.8 11.8 11.8 11.8	107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.5 95.3 100.1 99.8 95.0 96.3 94.2 101.5 97.0 97.0 98.8	100, 100, 112, 107, 118, 114, 110, 116, 114, 107, 102, -3, -7,	In Industrial Industri	100 100 100 100 100 100 100 100 100 100	9.6 10.4 10.9 10.9 10.9 10.9 10.9 11.1 12.1	88.4 94.5 96.1 100.5 98.6 85.3 97.5 101.3 101.5 101.8 99.5	100.0 105.3 110.3 117.8 120.1 121.1 119.4 123.9 128.5 129.9 0.5 1.2 2.1 2.8 1.2 2.1 2.1 2.1 2.1 2.1 2.1 2.1 2.1 2.1	100.0 102.5 102.5 111.8 114.0 113.7 109.5 109.4 117.4 120.4 1.8 1.3 1.1 2.5 1.7 1.9 1.7 1.8 1.3 1.1 2.3 1.7	11.2 11.2 10.3 8.5 7.2 6.9 8.5 10.1 10.4 9.5 8.7 8.8 8.4	100.0 116.1 141.0 124.3 97.8 68.5 69.8 76.5 93.9 107.8 105.8 111.7 111.8 121.3 106.8 108.1	90.2 92.8 96.5 96.5 96.5 96.6 82.3 95.3 95.3 95.3 107.2 108.4 105.4 105.5 106.0 105.4 106.0 106.0 105.4
s of hope	101 alki	1988 1988 1980 1991 1991 1982 1993 1994 1995 3rd qtr.1995 4th qtr.1995 1st qtr.1995 2std qtr.1996 July 1995 August September October November	100.0 102.4 104.5 107.9 109.5 110.5 110.5 110.7 110.7 110.7 110.7 110.7 1.8 -0.9 -3.9 0.4.0	100.0 100.0 100.1 103.1 107.3 111.3 112.8 111.4 110.0 106.8 110.0 111.7 0.2 -2.1 -0.4	10.3 10.4 10.5 10.0 9.4 10.4 11.8 11.8 11.8 11.9 11.9 11.7 11.8 11.7 11.8 11.7 11.8 11.7 11.8 11.7	107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.5 95.3 100.1 99.8 95.0 96.2 101.5 97.0 97.5 97.0 98.8 97.5 97.0 97.0 97.0	100. 100. 105. 112. 107. 118. 114. 110. 116. 117. 102. -3. -7.	In Industrial Production	100 138 22 17 199 14 19 19 19 19 19 19 19 19 19 19 19 19 19	9.6 10.4 10.9 10.9 10.9 10.9 10.9 10.2 11.1 12.1 12.1	88.4 94.5 96.1 100.5 98.6 95.3 101.3 103.3 101.5 102.6 101.8 102.6 101.8 101.8 101.8 101.8 101.8	1000 1053 1108 1178 120,1 121,1 121,1 121,4 123,9 128,5 128,5 128,5 12,2 1,2 1,2 1,2 1,2 1,2 1,2 1,2 1,2 1,	100.0 102.5 100.5 111.6 114.0 113.7 109.5 109.4 111.6 117.4 120.4 1.8 1.3 1.1 2.5 1.4 1.7 1.9 1.7 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9	11.2 11.2 10.3 8.5 7.2 6.9 8.5 10.1 10.4 9.5 8.7 8.7 8.7 8.7 8.4	100.0 118.1 144.0 124.3 97.8 68.5 69.8 76.5 93.9 107.8 108.8 111.7 111.9 121.3 108.8 108.1 114.0 114.0 114.0 114.0 112.7 110.5	90.2 90.2 90.5 96.5 96.2 96.2 96.2 96.3 87.7 104.5 106.0 105.4 105.5 106.0 105.7 106.0 105.7
s of hope	101 alki	1988 1988 1980 1991 1992 1993 1994 1995 3rd qtr.1995 4th qtr.1993 1st qtr.1996 2nd qtr.1996 July 1995 August September October November January 1996	100.0 102.4 104.5 107.9 108.5 110.4 110.5 110.7 110.7 110.5 -2.5 0.7	100.0 100.1 107.3 111.3 112.6 111.4 110.0 106.8 110.0 111.7 0.2 -2.1 -0.4 -2.4 -2.4 -2.4	10.3 10.4 10.5 10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.8 11.8 11.8 11.6 11.7 11.8 11.6 11.7	107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.5 95.3 100.1 99.8 95.0 96.3 94.8 96.2 101.5 97.0 98.6 97.5 97.0 98.6 97.5 97.0	100, 106, 112, 107, 118, 114, 110, 116, 114, 107, 102, -7, -7, -7, -7, -7, -7, -7, -7, -7, -7	balance   bala	100 100 100 100 100 100 100 100 100 100	9.6 10.4 10.9 10.9 10.9 10.9 10.9 10.2 11.1 12.1	88.4 94.5 96.5 98.6 95.5 94.5 101.3 101.8 102.6 101.8 102.8 101.5 101.5 101.5 101.5 101.5	100.0 105.3 110.8 120.1 121.1 121.1 121.4 123.9 128.5 128.9 0.5 1.2 2.1 2.8 1.2 2.1 2.8 1.2 2.1 2.8	100.0 102.5 102.5 111.8 114.0 113.7 109.5 109.4 111.8 117.4 120.4 1.8 1.3 1.1 1.3 1.1 2.3 2.2 2.3 2.2 1.4	11.2 11.2 11.3 8.5 7.2 6.9 8.5 10.1 10.4 9.5 8.7 6.8 8.7 6.7 8.8 8.5 8.5 8.5 8.5 8.5 8.5	100.0 118.1 144.0 124.3 97.8 68.6 68.5 76.5 93.9 107.8 108.8 111.7 111.8 121.3 106.8 108.1 114.0 111.7 110.5 109.3	90.2 90.2 92.8 96.5 96.5 96.5 96.3 95.3 95.3 95.3 107.2 108.4 105.4 105.5 106.2 106.0 105.4 105.4 105.4 105.4 105.5
s of hope	101 alki	1988 1988 1980 1991 1991 1982 1993 1994 1995 3rd qtr.1995 4th qtr.1995 1st qtr.1995 2std qtr.1996 July 1995 August September October November	100.0 102.4 104.5 107.9 109.5 110.5 110.5 110.7 110.7 110.7 110.7 110.7 1.8 -0.9 -3.9 0.4.0	100.0 100.0 100.1 103.1 107.3 111.3 112.8 111.4 110.0 106.8 110.0 111.7 0.2 -2.1 -0.4	10.3 10.4 10.5 10.0 9.4 8.9 8.4 10.4 11.8 11.8 11.9 12.2 11.8 11.8 11.8 11.8 11.8 11.8 11.8	107.0 117.2 135.3 160.6 163.2 128.2 109.5 90.0	95.5 95.3 100.1 99.8 95.2 96.2 96.5 97.0 97.5 97.0 97.9 97.9 97.9 97.9 97.9	100, 106, 112, 107, 118, 114, 110, 116, 114, 107, 102, -7, -7, -7, -7, -7, -7, -7, -7, -7, -7	balance   bala	100 13822799949 1952 8755 32304389948	9.8 10.4 10.9 10.9 10.9 10.9 10.9 10.9 10.2 11.1 12.1	88.4 94.5 96.5 98.6 95.5 94.5 101.3 101.8 102.6 101.8 102.8 101.8 102.8 101.8 101.8 101.8 101.8 101.8 101.8 101.8 101.8 101.8	100.0 105.3 110.8 120.1 121.1 121.1 123.9 123.9 123.9 123.9 123.9 123.9 124.5 129.9 129.5 129.9 129.5 129.9 129.5	100.0 102.5 108.5 111.8 114.0 113.7 109.5 109.4 117.4 120.4 1.8 1.3 1.1 2.5 1.4 1.7 1.0 2.3 2.3 2.2 1.4	11.2 11.2 11.2 10.3 8.6 7.2 6.9 8.8 10.1 10.4 9.5 8.7 6.8 8.7 8.8 8.7 8.8 8.7 8.8 8.6 8.7 8.8 8.6 8.7 8.8 8.6 8.6 8.7 8.8 8.6 8.7 8.8 8.6 8.7 8.8 8.6 8.7 8.7 8.7 8.7 8.7 8.7 8.7 8.7 8.7 8.7	100.0 116.1 141.0 124.3 97.8 68.6 69.8 76.5 93.9 107.8 109.8 111.7 111.8 121.3 106.8 106.1 111.9 112.7 110.9	90.2 90.2 92.8 96.5 96.5 96.2 94.6 82.3 95.3 95.3 95.3 107.2 108.4 105.4 105.4 105.5 106.2 106.2 106.5 105.7 105.4 105.6

All series seasonably adjusted. Statistics for Germany apply only to western Germany. Data supplied by Detastrison and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series defaults by OECD using CP). Refers to total retail sales except France and litely (retail sales volume: date stores only). Industrial productions data from national government sources. Includes mixing, transmissionary gas, electricity and value supply industries except dates from national government sources. Includes industrial productions data which adjusts as far as possible for the different definitions of manufacturing only) and UK (also includes construction industries). Unemployment used in official sources. Vacancy rate indicator: retreat vacancy measure divided by total civilian employment expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Raty – no data available, UK – unitled vacancies. Composite leading indicator: OECD date. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.





David W. Drinkwater

Bell Canada is pleased to announce the appointment of David W. Drinkwater as Group Vice-President

Prior to joining Bell Canada, Mr. Drinkwater was the Managing Partner of Osler Renault, based in the U.K., where he specialized in general corporate and business law. Previously, Mr. Drinkwater was a partner at Osler, Hoskin & Harcourt in Toronto. Mr. Drinkwater brings to Bell an expert knowledge of corporate finance, mergers and acquisitions, and joint ventures, both in the Canadian and international

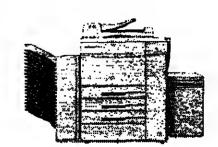
Mr. Drinkwater has been an active speaker and writer oo corporate and securities law matters. He has acted as the Secretary to the Toronto Stock Exchange Committee on Corporate Governance in Canada and is a prior chair of the Securities Advisory Committee to the Ontario Securities Commission.

Graduating from the London School of Economics in 1974, Mr. Drinkwater earned a master's degree in law. He also holds undergraduate degrees in law from Dalhousie University and in business from the University of Western Ontario.

Mr. Drinkwater is a member of the Canadian Bar Association, the Canada-UK Chamber of Commerce, the Law Society of Upper Canada, the American Bar Association, the International Bar Association, and the Law Society of England and Wales.



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SHARP

Most City economists con-

cluded the figures did not

justify another cot in base

rates from their current 5.75

per cent, especially as sepa-

rate figures showed that

cash circulating in the econ-

coins in circulation grew by

a seasonally adjusted 0.6 per

The value of notes and

omy continues to grow.

# Industrial output suffers big fall

**Economics Editor** 

June, giving the chancellor of the exchequer useful ammunitioo if be wishes to argue for another cut in UK interest rates.

industrial production fell by 1.1 per cent in June, the Office for National Statistics said yesterday. It was the in the second quarter followhiggest monthly drop since November 1992 and included falls in factory output, oil and gas extraction and

By Robert Taylor,

In an escalation of Britain's

increasingly bitter postal dis-

pute the government announced yesterday that

the Post Office's monopoly

was to be suspended from

midnight last night for an

industry minister, said the

decision of the Communica-

further four 24-bour stop-

pages had left him with "no

alternative". He added that

if the dispute was not resolved within the next four

weeks the monopoly would be suspended for a further

The union's executive

decided unanimously to go

ahead with today's stoppage,

and call five further 24-hour

strikes covering shifts over

August 6-7, 14-15, 22-23 and

hoped progress would he

made on the issues of team-

working and second deliv-

ery. But Mr Alan Johnson,

the CWU's general secretary,

said Royal Mail had refused

Mr John Roberts, the Post

30-31 and September 2-3.

three mooths.

the weekend

Mr lan Lang, the trade and

initial one month period.

of the letter delivery service

**Post Office** 

loses monopoly

as strikes go on

tion Workers' Union to call a 5 to 37 per cent, with a new

committee said it had already choosing alternative

The union said it had cel carrier, said the govern-

factory output in June eurprised statisticians who had British industry suffered its assumed there would be no biggest fall in output for change when they drew up three and a half years in the estimate of economic growth in the second quarter, published last month.

Recent surveys had

suggested factories might be stepping up production again. But menufacturing remains in a technical reces slon: with output stagnated ing falls in the two preced-

ing quarters.
"We have seen another delay in the second-half eco-nomic expansion," said Mr

denying the very people whose future is affected by

He said the proposed settlement contained a guaran-

tee of full-time employment

and job security untll at

least 2000, a one and a half

ing week and moves to five

weeks' holiday, improved

training and pay rises of

minimum wage of £5.28

(\$8.23) an hour. The union

executive, however, remains

opposed to the principle of

team-working.
Mr Roberts said the sus-

pension of the monopoly was

He sald customers were

services, Royal Mail's repu-

tation was being dented and

postal workers were losing

an average of £40 for every

ment would have to suspend

the postal monopoly perma-

nently before the company

could provide a cost-effective

TNT, Britain's largest par-

day of striking.

"sad day" for the company.

bour cut in the basic work-

the settlement to have a say

on it," be said.

Europe. "The 3 per cent turing contracted. growth in 1996 manufacturing output, forecast hy the Treasury in the summer forecast, will not be achieved

from a standing start." The statistics office estimated for the seventh successive month that the underlying trend in factory output and the hroader meaeure of industrial production were flat.

in manufacturing, output rose in the second quarter in the textiles, chemicals, engineering and food, drink and tobacco industries. But coke. oil refining, nuclear fuels.

narrow money supply mea-sure M0 - which also includes hanks' balances at the Bank of England - fell slightly, from 7.4 to 7.1 per cent. "The cootinued buoyancy of narrow money in July suggests that consumer spending remains reason-ably strong," said Mr Mich-ael Saunders, of Salomon

The Bank is expected to highlight the rapid growth of broad and narrow money



First step: Gavin Casey, London Stock Exchange chief executive, yesterday on the first day in his new job. Mr Casey replaced Michael Lawrence, who left the exchange in January

# Lloyd's Names win right to challenge recovery plan

By Raiph Atkins, Insurance Correspondent

Rehel Lloyd's of London Names yesterday jumped the first hurdle in challenging the legality of the insurance market's recovery plan hy winning the right to a judicial review next week.

nationwide mail delivery sersaid Royal Mail had refused vice. UPS, the world's larg-to re-open negotiations over est package distribution The 3,000-strong Paying Names' Action Group, reprecompany, said it had no senting Names - individuals plans to offer an alternative. wbose asseis have tradition- Tomorrow's strike by ally supported the market -London Underground train who have met their Lloyd's commitments, hailed the High Court ruling. It said it was "a historic moment which vindicates the deter-

mination of our members". A hearing will etart on Monday and is expected to last three days. Judgment is expected well ahead of the August 28 deadline by which Names must decide whether to accept the market's recovery plan, which includes a £3.2bn out-of-court settlement offer to all Names.

Lloyd's - which rejects the action group's case - did not object to the application being heard, saying that it was "essential" that its arguments in favour of the recovery plan were transparent. The action group argues for losses should be used that Lloyd's is acting beyond pay debts at the market.

its statotory powers and that the recovery plan is unfair. The group says Names who paid Lloyd's debts, often by borrowing heavily, are being disadvantaged compared to those who did not, and would henefit from having dehts written off. Other rebel Lloyd's Names

are considering alternative moves to block the recovery plan. One tactic being mooted is a cleim that Lloyd's is breaching the European convention on buman rights by insisting court awards won by Names for losses should be used to

Editorial Comment. Page 11

#### Telephone users face numbering

overhaul

By Paul Taylor

Telephone users face yet another npheaval in the national telephone numbering system at the end of the decade, as demand for numbers continues to ontpace the industry's estimates.

Plans to introdace a new system of telephone codes, including new codes for London and four other big cities, were announced yesterday by Oftel, the telephone industry regulator. just 16 months after the last

The plan drew sharp criticism from the opposition Labour party, which accused Oftel of creating a shambles. Mr Don Cruickshank, Oftel's director general, said: "Our ability to forecast the increase in numbers isn't

very good."

Mr Cruickshank insisted the introduction of the proposed new codes was part of a phased overall plan and was essential to meet an explosion in demand for

new numbers.

"The UK is at the fore-front of the information revolution because we have one of the world's most competitive and dynamic markets in telecommunications net-works and services," he said. "If we are to maintain our leading position and reap the rewards that flow from that, our numbering scheme must keep pace.

Oftel's proposals, which also includs measures to sort out inconsistencies and "tidy-np" mohile telephone and other numbers such as specially tariffed services and premium rate calls, would initially mean new codes for London, Cardiff, Portsmonth, Sonthampton

and Belfast. He said these areas were running out of numbers and required "urgent" action within the next five years. Oftel also believes that between 25 and 30 other areas will require more numbers over the next 15 to

News of the proposed dialling code plans - which will now be subject to a period of public conenitation received a mixed response from politicians, telephone users and business leaders

who bore the brunt of the estimated £1bn (\$1.56bn) cost of last year's overhaul.

#### UK NEWS DIGEST

# March diverted in N Ireland

Electrolux fat

s sales softe

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.... Land

The Royal Ulster Constabulary, the Northern Ireland police force, yesterday re-routed Saturday's Apprentice Boys parade by loyalists in Belfast, raising hopes that nationalists in Londonderry might drop objections to a bigger Apprentice Boys march in Londonderry on the

The move came as Mr John Hume, the local MP for the moderate, nationalist Social Democratic and Labour party, met with the Londonderry Apprentice Boys and representatives of the nationalist Bogsids residents' group in a final attempt to avoid the ugly clashes which broke out last month when police forced a protestant Orange-men's march through a Catholic estate in Portadown.

The secretary of the Apprentice Boys volced optimism that an agreement could be found. Mr David Nicholl, of Ulster Community Action Network, a vnhuntary group which has helped mediate the dispute predicted "a compromise is in the offing." The police decision to re-route the Ormean Road march was described as "deplorable" by

On Saturday, the Belfast marchers together with nther Apprentice Boys will be bussed afterwards to andonderry, where there are expected to be around 10,000 supporters to mark the siege of Protestants in the city by the Catholic King James II in the late seventeenth John Murray Brown, Dublin

OIL TECHNOLOGY

#### Platform to be refloated

Phillips Petroleum says It intends to refloat Its 110,000 tonne Maureen platform in the North Sea as part of a plan to sell the structure for reuse elsewhere in the world. If successful, it would be the world's first refloating of a gravity-based platform.

Executives from Phillips, a US-based oil company, said that the £550m (\$358m) steel platform, which was lowered to the sea bed 155 miles north-cast of Aberdeen in 1983, was designed to be refloated in one plece.

Mr Geoff Tilling of Phillips said raising Maureen, which would cost about £30m, would be "an insurable event". Phillips says the ideal solution would be to move to another site in the North Sea or elsewhere as an oil production and storage facility but it could also be modified for other uses.

NORTH SEA

#### Capital spending 'to fall sharply'

Capital spending on new North Sea oil and gas projects is expected to fall sharply after the turn of the decade, according to findings published by Wood Mackenzie, the Edinburgh-based energy consultants, in its annual analysis of UK offshore trends.

A forecast fall in the number of probable projects and a

decline in size of those that do emerge could cause capital spending to fall below £1bn (\$1.56bn) in real terms in the early years of the next decade, it says. Total offshore capital spending last year was more than £5bn, and is expec-ted to stay above £3.5bn over the next few years as a large

number of new fields move towards production. Wood Mackenzie said 50 new fields could receive government development approval in the short to medium term, with total development costs estimated at around £7.2bp. That is a third less than the £10.5bp which it estimated would be spent on the 67 probable fields identified Robert Corzine, London

#### ■ WELFARE ·

#### Benefit claims reduction trebled

More than 300,000 unemployed people have had their benefit cut during the past 12 months under stricter government enforcement of conditions for receiving state finan-

This is the main finding of a study nn the impact of performance targets introduced in the Employment Service Unemployment Unit and published yesterday. The figures reflect a trebling in two years in the number of unemployed who are deprived of some benefit.

The unit says the dramatic increase in the number of jobless facing benefit sanctions results from the performance targets set for Employment Service staff. The report adds that "over-zealous managers have dramatically overshot" the annual figures set by the government to ensure they secure performance-related pay increases. Robert Taylor, London

■ TELECOMMUNICATIONS

#### Crackdown on prostitutes' adverts

British Telecommunications is to alter the terms and conditions for residential customers renting more than 20 million telephone lines in an attempt to crack down on prostitutes' advertisements in telephone boxes. About 150,000 cards are removed from kiosks in central London every week. The initiative, also supported hy other telephone service operators, will result in BT being able to block the in-coming telephone calls of prostitutes who persistently place cards in payphones. Lisa Wood, London

#### Office chief executive, called on the union executive to put the package negotiated drivers will go ahead after with the union's officials and talks between the rail unions rejected by its execotive to a and London Transport colballot of the members. "By lapsed. **Securities** firms to

be judged

By Nicholas Denton

on 'risk'

The Securities and Futures Anthority, the regulator of the UK securities industry, is developing a ratings system which marks stockbrokers and investment banks on a scale of risk from one

The SFA, which issued Its annual report yesterday, began categorising the firms it regulates about 18 months ago to jndgehow thoroughly it should supervise them, bnt sald yesterday that It might begin telling firms lmro is about to begin a

pilot project under which 58 firms with relatively clean regulatory records will be offered a relaxed regime of visits. Some Imro executives are thought to believe fund managers should pay a levy according to the trouble they cause Mr Richard Farrant, the

SFA's chief executive, said: "It seems entirely proper that those firms with the highest standard and strongest compliance culture enjoy the benefits of less intrusive regulation."

The SFA already varies its capital requirements from 13 weeks worth of expenditure for investment banks, to six weeks worth for stockbrokers which only execute orders, to zero for firms giving corporate finance advice.

The frequency of ths SFA's vislts might vary: onca every 18 months for an organisation with a score of one; but as often as once every quarter for a company marked five.

At present, the SFA requires monthly reporting of client money arrangements, but a firm with proven systems and standards would report every quarter or every year.

# Tax claim time limit comes under fire

**Accountancy Correspondent** 

The UK government was yesterday warned that a three-year limit on buslnesses backdating claims for wrongly paid value added tax was probably in breach of European law and Britain's 1688 Bill of Rights, and could lead some taxpayers to break the rules.

in an outspoken letter to Mr Kenneth Clarke, the UK chancellor, the Institute of Chartered Accountants of Scotland said it had been "bombarded" with complaints about the time

bar, announced on July 18. to taxpayers. Before July 18 Mr Derek Allen, director of taxation at the institute, said: "Unless it is reconsidered and withdrawn there must be concern that It could lead to reduced compliance and even rebellion." The Institute of Chartered

Wales said the government's policy was "retrospective and inequitable". The government action was a response to the growing problem of VAT refund claims from hig companies,

Accountants in England and which could lead to millions

companies winning VAT cases against the government were in theory entitled to refunds backdated to 1973. when VAT was introduced. Details of the new three-

year time har will he published soon for inclusion in Britain's 1997 finance The Treasury said: Clearly we have to balance the needs of business against

those of the general taxpayer. This will go before parliament and it will have a Mr Allen pointed out that of pounds of wrongly collected VAT being returned in pursuing enquiries the als possibly breached the

UK authorities can examine traders' tax affairs dating back six years, or 20 years in the case of serious fraud, yet the taxpayer was to be limited to three.

He said some taxpayers had spent a lot of money preparing claims going back many years. As a result, he added, some might he tempted to regain the lost VAT by bending the rules, although the institute would not condone such action. The institute wants the new time har to he withdrawn and consultation to follow.

government's Taxpavers' Charter, which says taxpayers can expect "to pay only what is due under the lew". He said parliament had not sanctioned the reform - as it was required to do under the Bill of Rights - and that it might hreach European

Union tax directives. The English and Welsh institute said refunds represented tax the exchequer was never entitled to, and while a time limit was acceptable for reasons of economy, it should be six years to match limitation law generally and Customs'

# Directors' incentive schemes at odds with investors

#### Although the L-Tip is a popular bonus, shareholders complain it can be too complex and too generous Trends in company incentive schemes

and investors grap-pling with the new fad in executive compensation the long-term incentive plan, otherwise known as L-Tip. With 57 per cent of FT-SE 100 companies now operat-ing such bonus plans for executives, and 85 per cent of companies in the All-Share index, L-Tips are fast hecoming one of the most

directors' pay. Following a recommenda-tion in the 1995 Greenbury report on executive pay that companies consider introduclng L-Tips hecause they align the interests of directors and shareholders, there has been a marked acceleration in the rate at which companies have added them to their directors' incentive

important elements of top

L-Tips typically involve executives being awarded free shares, paid for by their company, which they are able to profit from three years later only if targets such as earnings per share performance measured against a comparator group of companies - are met.

Despite the apparent popu-

onfusion reigns larity of the schemes, instiamong companies tutional investors, who are required to approve the introduction of L-Tips at companies, have been raising serious concerns.

They say that the bonus schemes are becoming too complex and overly generous. Several fund managers. such as Norwich Union and Standard Life, are now routinely abstaining or voting against L-Tips at companies' annual meetings. The controversy over

L-Tips has been heightened recently by privatised water and electricity companies also seeking shareholder approval to add L-Tips to their directors' pay packages. Before the recent annual meetings of privatised companies, stakeholders such as staff and customers, and Pirc, the corporate governance consultancy, expressed dismay at the potential awards available to directors.

Yet the concern over L-Tips is not just one way. Companies complain that while shareholders know what they do not like in an L-Tip, when asked what they want, they either do not

Development of armsal bonts, share option and other long-term incertive actionnes to UK companies (% of companies surveyed

1979 81 88 85 87 85 91 Servey is of the UK as to pred non-forested current For example, United Utilities, the Warrington-hased multi-utility which recently heat off a shareholder revolt against its L-Tip, complained that its institutional shareholders had very different

amended. As a result it was impossible to satisfy them

viewe about how thsy

wanted the scheme

comment in the same way on HSBC's L-Tip which could lead to executives being granted shares worth four times their salaries. The Greenbury commit-

tee's report stated that L-Tips should be "weighed against shara option schemes" but research by New Bridge Street, the pay Companies also say that consultancy, shows that only institutional investors have 15 per cent of FT-SE 100 coman inconsistent approach to panies no longer operate voting on L-Tips. While the share option schemes in any Association of British Insurform. Of the 84 FT-SE 100 ers was willing publicly to companies with option criticise United's scheme for schemes, only 13 per cent do being "over-generous and not allow directors to con-

tione to profit from options as well as L-Tip shares.

Institutional shareholders and companies both say that they want the current state of confusion surrounding L-Tips to be resolved. Some argue that more detailed best practice guidelines need to be drawn up - probably hy the ABI and the National Association of Pension Funds - covering the main areas of controversy:

 Performance measure. New Bridge Street research shows that the most common measure used in L-Tips is total shareholder return (TSR) - share price and dividend performance combined. However, a few institutional investors, such as the Prudential and Standard Life. insist that TSR performance targets must be "underpinned" by a requirement that there has been a sustained improvement in underlying financial performance. ment is for earnings per share to have to exceed inflation by at least 2 per cent a year, but Manifest, the proxy voting agency, doubts whether this represents a

challenging target for many

political events and industry regulators. Utilities should compare themselves with other ntilities rather than non-privatised companies. · Paying out for helow median performance. The Prudential was criticised earlier this year by other fund managers for the way in which its L-Tip can pay out even if the company's TSR ranks as low as 59th among FT-SE 100 companies. New Bridge Street says that most L-Tips now require companies to rank above the median position in their chosen comparator group. · Size and timing of pay-

· Comparator group.

United Utilities' L-Tip was

criticised by fund managers

for using the FT-SE 100 as a

comparator group. They said that the share price of priva-

tised companies such as

United is mainly driven by

outs. Institutional investors say that paynuts under Another common require L-Tips should not be excessive, but remuneration committees face a tough task in deciding what that means. Another issue is whether directors should have to wait more than three years - perhaps as long as five years before receiving their shares,

Despite these areas of concern, ahareholders and companies that want more detailed guidelines appear unlikely to be astisfied. New Bridge Street argues that It is "virtually impossible to draw up hard and fast rules, and it would be wrong to try and do so". Instead, remuneration committees must take responsibility to ensure that plans are properly structured and not out of line with other companies... Another possible solution

to the current uncertainty comes from the US. Profes sor Charles Elson, a leading US corporate governance expert, argues that directors' honus schemes should be radically simplified. He says that executives abould be paid partly in ordinary shares, or even be forced to buy shares themselves.

The problem when you play games with numbers is that you can play games with performance," says Professor Elson. "Let's go back to incentivising and rewarding executives with stock and not make a simple idea complicated."

William Lewis

CHARLE TARRET

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OF CARS, IF THEY KEEP MOVING?

HOW DO YOU CONTROL THE COSTS

tek Covin interlusing. As the EE's leading feating and floot arms company we'll come you got the best possible value from your first. **FINANCIAL TIMES** 

# **COMPANIES & MARKETS**

OTHE FINANCIAL TIMES LIMITED 1996

Tuesday August 6 1996

#### LEGAL DEFINITIONS

lobby a 1 place where MP's throw things esp. tantrums, comments etc. 2 endeavour to influence politicians and civil servants to promote a particular viewpoint, see ROWE & MAW: asap (ph 0171-248 4282)

Rowe & Maw LAWYERS FOR BUSINESS

**HSBC** 

profits

leap in

#### IN BRIEF

^\_1

#### **Electrolux fails** as sales soften

Electrolux of Sweden, the world's largest manufacturer of bousehold appliances, warned that demand for its products in Europe had fallen for the fifth quarter in succession. The group reported a 14 per cent fall in first-half pretax profits to SKr1.8bn (\$274m), slightly better than expectations. Page 14

Price pressures hit Nycomed's first half Mycomed

Shares in Nycomed, the Norwegian pharmaceuticals group which demerged from the Hafs-

lund energy group earber this year, tumbled 9 per cent after it reported a 26 per cent fall in half-year pre-tax profits to NKr678m (\$143.5m). The result was about 10 per cent lower than market forecasts, in

Source: FT Book spite of a warning in June. Nycomed hlamed the decline on price competition in the US for X-ray contrast agents, its biggest product range. The group's most-traded A-shares fell NKr7 to NKr79. Page 14

Hypo-Bank advances 22% to DM556m Bayerische Hypotheken und Wechsel-Bank reported a 22 per cent rise in first-half operating profits to DM556m (\$376.2m) in spite of an increase in risk provisions and a decline in ownaccount trading income. Page 14

Great Eagle revives spin-off plan Great Eagle Holdings, the Hong Kong property and hotels company, said it was renewing plans for a HK\$3hn (US\$387m) spin-off of its office and commercial properties projects. Page 15

GE Capital buys life group for \$1.8bn GE Capital, the financial services arm of General Electric, reaffirmed its position as one of the most active buyers of US life assurance companies as it unveiled a \$1.8bn acquisition of Virginta-based First Colony. Page 16.

Settlement clears way for inco deal Inco, the Canadian nickel producer, is poised to proceed with its C\$4.8bn (US\$3.12bn) takeover of Vancouver-based Diamond Fields Resources following the settlement of a lawsuit brought against Diamond Fields by a group of Texan investors. Page 16

Eurotunnel claims market share gains Eurotunnel, the Anglo-French operator of the Channel tunnel, announced a sharp rise in monthly passenger and vehicle numbers and claimed further market share gains from its ferry rivals. Page 17

Mexican gas unit to reopen after blast Petróleos Mexicanos, the Mexican state oil monopoly, plans to resume production gradually this week at a gas processing facility accounting and merchants have written for one-third of the country's capacity. The plant was badly damaged by an explosion 10 days ago. Page 22

Companies in	this l	ssue
Affled Irish Banks	19	Inco
Amer Oy	. 14	Ited The

Little Com I Limitedo	•••		
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Europe I a Commentation			

PactfiCare Health First Colony GE Capital 18, 12, 13, Hahn Company

Hongkong Bani 16 Virgin Atlantic

Market Statistics http://www.FT.com

Annual reports service 26,27 Foreign exchange Gitta prices Bond futures and options London share service Managed funds service Bond prices and yields odnies prices 21 20 30,31 Dividends announced, UK New Intl bond inwes EMS currency rates Eurobond prices Recent issues, UK 28 21 20 29 Fixed interest indices

Short-term int rates US Interest rates World Stock Markets FT/ISMA intl band svc

FT/S&P-A World Indices

FRANKPURT	(C-41)			Intertachnique	531	_	14
Places Obties-Werke	107	_	5	Pachiney Insi	97.6	_	3.4
	375	Τ	š	UFB Locabell	448		22
HOIZERSIAN	547.5	†	11	Worms Cle	252.5		5.5
Carstaelf	284.5		4.5	TOKYO (Yes)			_
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Schmattech Lub	200	+	•	Dereny's Japan	4000		150
Palla.	300		8 .	Falls.	4000	•	
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Alang	441-		216	Kyotaru	892		28
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Float Col .	33%		314	Variety Variety	625		22
ES Ind	53%					_	-
Newmont Bold			254	Rises	faddans.		
Rob Half Indi	.31%	*	274	ASM Pacific	5.5	+	0.3
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Commercial Int	23%	_	314	Falls	17.0	*	1.0
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Aberdeen Steek	70	+	32		1.13		0.0
Falls _				HK Blog & Loan	1.1		11.0
Blueburd Toys	176	-	33	Ideal Pacific		-	u.u
Filtronic Constitu	196			BANGKOK (B			
Phoneiink	103			Ricos			
Sett Sealing	25	-	10	First Asia Sec	85.5	+	7,5
Zotolownis	198	-	41	Goodyser	352	+	32 10
PARIS (FFr)				KCE Elec	112	+	
Class.				Krungmai The	111	+	10
SSS-Thomson	180.2	٠	4.2	Securities One	191 .	+	17
Calle .				Falle			

three Swiss banks to report its results for the six months to end June. Its strong perfor-

Dulp and paper execu-tives, battered by dizzy-

ing price swings over the

past three years, have

launched an unprecedented

search for ways to soften the

boom-or-bust cycles that have long plagued their husiness. The ideas swirling through

the industry are a marked

break from the past in a sector

famed for conservative atti-tudes. Options, futures and

other hedging instruments

have suddenly become huzz-

words. Companies that usually

keep each other at a distance and were used to being targets

of anti-competition probes are

now being encouraged to share

The change of heart reflects the heavy toll taken by the

latest cycle. Since late 1993,

pulp and paper prices have

soared from their lowest in

two decades to record levels

then tumbled by as much as

half, and most recently shown signs of edging up again.

the latest cycla has cut a

swathe through the industry.

Mr Peter Ingram, a UK paper analyst, notes that for the first time "everyone is feeling pain at the same time". Pulp mills

have seen the bottom fall out

On a broader front, soaring

paper prices in 1994 and 1995

encouraged conservation and

substitution measures that

will not easily be reversed. Mr

John Buckley, president of the

US National Paper Trade Association, says. "We're in a

life-and-death race with elec-

tronic [information], and this

market issue has put us fur-

Moves are afoot in Europe

and North America to set up

of their market. Paper mills

down bloated stocks.

The speed and severity of

more information.

mance owes a lot to the fell SFr9 to SFr1,184 yesterday, the real estate market have "exceptionally favourabla" in spite of a 0.6 per cent rise in now spread to its commercial conditions in world financial the Swiss stock market.

Although the strength of the recovery has led some analysts to upgrade forecasts for the full year, UBS bearer shares

20.

1,5 -

rose hy more than 50 per cent due to its warning that results for the second half of 1996 were unlikely to be as strong. Another reason was the news that provisions, losses and valne adjustments rose 76 per

> UBS said the Swiss economy was taking much longer to

said it expected provisions to

Although UBS's results were clouded by the problems in its domestic Swiss husiness, which employs about three quarters of the bank's 29,100 staff, analysts were encouraged by the strength of net interest income which rose 14

twice as fast as the rise in lotal assets to SFr416bn.

The other strong feature was the 34 per cent rise in fee and commission income, to SFr2.1bn. The figures were remain high in the second belped by SFr218m of income arising primarily from the salc of 300,000 sbares of Société Générale de Surveillance, a Swiss inspection group; 400,000 UBS bearer shares and 2.1m UBS registered shares.

Lex, Page 12: World Stock Markets, Page 32.

first half By George Graham, Banking Correspondent

City analysts scrambled yesterday to upgrade their forecasts for HSBC after the international banking group lifted first-half profits by more thm a third to £2.32hn (\$3.6bn), exceeding the most optimistic expectations.

Wideniog interest margins in Hong Kong lifted HSBC's main operating units, HongkongBank nnd its 61.5 per cent subsidiary Hang Seng Bank. The HongkongBank group reported attributable profits of HK\$1.93bn (\$250m) in the first six months of the year, up 25 per cent from the same period n year earlier. in the UK, HSBC's Midland

cent to £439m, with tight cost control and bigber lending volumes offsetting pressure on interest margins. Profits also advanced strongly at HSBC Americas, including the Marine Midland bank in the US. and at Hongkong Bank Malaysia Berbad. The bank's UK shares jumped 4.3 per cent to £11.64p, belped further by the

Bank subsidiary improved attributable profits by 35 per

announcement of a 62 per cent increase in the interim dividend to 15p per share. The group is expected to pay a dividend of 40p per share for

the year, a 25 per cent increase from 1995. Sir William Purves, the

group's chairman, said he planned to "put what is due to them in our shareholders' pockets" a month earlier than usual by announcing a second interim dividend at the end of the year in lieu of a final dividend, which would need approval from the sharebolders meeting.
The steady flow of retained

profits left HSBC with total capital of £23.4bn at the end of quacy ratio of 9.8 per cent comfortably in excess both of the regulatory minimum of 4 per cent and the norm for well-capitalised banks of 6.5 per cent. Bnt Sir William said the group had always believed in maintaining high liquidity and a strong capital base, and be felt under no pressure to reduce excess capital either by acquisitions or hy bnying in its own shares as other banks bad done.

Greg McIvor | Hang Seng results, Page 15

Lex, Page 12; Details, Page 18;

te per frem

# UBS lifts income by one third

Union Bank of Switzerland, the country's higgest banking group, increased first-half net income by a third to SFrL1hn (\$920.3m) with a surge in prof-its from its trading and investment banking operations more than offsetting a surprise increase in its bad debt provi-

UBS is the first of the hig

markets in early 1996.

to SFr1.Shn, equal to three quariers of the figure for all of last year. Most of the increase came from equity and derivative trading which made profits of SEr552m

narkets in early 1996. The weakness in UBS's ingly facing difficulties on an Net income from trading shares may have been partly unexpected scale". The bank

cent to SFr804m.

recover than anticipated. The bank's loan loss problems in

Pulp and paper groups, savaged by price volatility, are having a change of heart

Paper & puip

rollercoaster

that consumer demand for

European consumption of

woodfree uncoated paper is

per cent in 1994 and 1995. Pro-

duction, on the other hand

soared 20 per cent in 1994 and contracted by 1 per cent last

year. Stocks have been identi-

fied as the main villain. Mr

Allen Whitman, a US consul-

tant, traces the problem back

to 1993 when pulp mills were

confronted with dismal prices

for their products, but high

costs for wood, their main raw

According to Mr Whitman,

the general frustration

encouraged one mill to

announce a pulp price increase

material

Sector hedges its bets to gain stability uct demand had increased. When paper mills found out that the pulp companies were very serious about getting a price increase, they finally began to order more pulp, even

though they didn't need it." The price scare rippled through the processing and distribution chain, to the point where, by Mr Whitman's estimate, 4m-6m tonnes of paper went into stock, ahout 2-3 times the pormal build up.

The hope is that a wider exchange of information on industry trends would improve the efficiency of the market. Several North American industry associations plan to start publishing monthly data on merchant stocks from Jannary. Commercial printers have been approached to share their stock figures. These initiatives face several

obstacles. Encouraging producers and merchants to share information is bound to heighten concerns about competition in an industry whose members are often accused of price collusion. Distrust between paper mer-

most grades of paper bas chants and manufacturers remained relatively stable. runs deep. The merchants are likely to be suspicious of any proposals that might make it estimated to have risen by 5-8 easier for mills to deal directly

Moves to bring derivatives to the pulp and paper business are also likely to meet some resistance. According to Mr Ingram: "There's a lot of uncertainty [among companies) about exactly how it will affect their business."

Such doubts however, may be outweighed by the desire for a more stable, predictable business environment.

Bernard Simon and

# **US** managed health groups combine in \$2.1bn deal

uct, on September 9.

and agencies.

derivatives markets that new market "could mean a

The exchange intends to

offer futures contracts as well

as put and call options with

settlement in cash, without

obliging parties to take physi-cal delivery. The benchmark

index will be based on data,

updated each week, from

about 30 suppliers, purchasers

exchange'a president, says the

revolution for the industry".

Mr Anders Lindeberg, the

By Richard Waters in New York

ther behind."

The US's managed healthcare industry witnessed another big takeover yesterday, this time bringing together the Californian companies PacifiCare Health Systems and FHP International to create the country's fifth largest organisation

of its kind. The \$2.1bn acquisition by PacifiCare reflects the same pressures which have shaped other large combinations in the sector, the need to build networks with a broader geographic reach to serve big companies and other buyers of healthcare, and the pressure to

contain costs. After the deal, PacifiCare will have about 4m members in its managed care plans. Tha acquisition follows a

came close to buying another tive, forcing it to buy medical West Coast managed care company, WellPoint, 18 months ago. Since then, FHP has suffered stuttering growth, weakening margins and upheaval in its executive suite.

PacifiCare valued its offer for FHP at \$35 a share. Half will be paid in cash, with the rest comprising a mix of Pacifi-Care's A and B stock. FHP's shareholders will also get the right to buy shares in Talbert Medical Management, which is being spun off from FHP. Talbert runs the company's medical and dental facilities. At its inception as one of the US's first managed care organ-isations in the 1960s, FHP was

The two companies, which are roughly equal in size,

buyers to hedge future com-mitments, thereby offering a measure of price certainty and forestry sector which has seen

stability. The Finnish Options pulp companies acquire paper

Exchange in Helsinki plans to companies to insulate them-

launch an international selves against volatile prices.

options and futures market for In the UK, McKenna & Co. a

NBSK pulp, a benchmark prod- law firm, is spearheading an

would have had combined revenues of \$8.6bn last year, and a network that extends across 15 states. The enlarged group will be concentrated largely in Western states, though it also where demand from retired people has created a fast-growing market for HMOs.

initiative to set up an elec-tronic derivatives market, with

pulp and paper among its

maiden contracts. The tenta-

tive launch date is November

1997. The American Forest and

Paper Association, based in

Washington DC, says it is also

engaged in "very preliminary"

paper groups are being urged

to exchange more information.

A particular frustration of

On another front, pulp and

talks on a futures market.

FHP has also been weighed down recently by a claim from the US Justice Department that it overcharged Federal employees over a five-year period, prompting the company this year to set aside \$45m to settla any claims.

In early trading, FHP's shares jumped \$5%, or 20 per cent, to \$3314, while PacifiCare insurance cover. However, the high costs of the facilities it Details, Page 16

# Pearson sells titles for £305m

Mr Frank Barlow, Pearson

managing director, said the

strategy of concentrating on

international markets for its

information, education and

quest for the business.

conceived as a company which

employed doctors and owned

hospitals, as well as providing

By Tim Burt in London

Pearson, the-UK information, publishing and entertainment disposal reflected Pearson's group which owns the Financial Times, vesterday announced the sale of its Westminster Press newspaper business to Newsquest Media Group, backed by US financiers Kohlberg Kravis Roberts, for £305m (\$475.8m).

The sale, marking Pearson's withdrawal from UK regional nawspaper publishing, was agreed in spite of indications that Mirror Group was prepared to make a rival offer.

terday distanced itself from

offer £10m more than News-

reports that it was prepared to

for £86.8m in cash and shares. Mr Barlow said Pearson had However, Mirror Group yes-

turbulent time at FHP, which owns has made it uncompeti-

entertainment products. announcing plans to acquire a further 30.3 per cent stake in Recoletos, the Spanish newspaper and magazine publisher.

decided to sell WP and increase its holding in Recoletos to 95 per cent because UK regional newspapers were in decline, whereas the Spanish business was expanding. He was speaking after Details, Page 17.

unveiling reduced pre-tax profits of £30.2m, against £50.5m a year earlier, in spite of sales of 2939.8m, up from £780.9m, for the six months to June 30.

Pearson blamed the decline chiefly on E38.8m of operating losses and restructuring He underlined that effort by charges at Mindscape, the US software publishing company acquired in 1994 for £330m. Pearson said most of its

businesses were making good progress - particularly Penguin. Yesterday Mr Michael Lynton, 35-year-old president of Walt Disney Studio's Hollywood Pictures, was named as Penguin's new chairman. Pearson shares rose 19p to



£10,500,000

Acquisition of Hamptons and The London Residential Agency (formerly Cluttons London Residential Agency)

> Led, structured and arranged by Nat West Ventures

> > Equity provided by Nat West Ventures



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# COMPANIES AND FINANCE: EUROPE Electrolux sees signs of upturn in Europe Czech bank

By Greg McIvor in Stockholm

Electrolux of Sweden, the world's largest manufacturer of housebold appliances, said yesterday demand for its products in Europe fell for the fifth quarter in succession. However, it said there were signs that the slump

was bottoming out. Mr Leif Johansson, chief executive, said preliminary sales figures indicated a slight improvement in demand for large white goods in Europe in the second quarter, compared with the same period last year.

"We bave possibly reached the bottom [in Europe] we are very, very cautiously optimistic when it comes to developments in 1997," he said. However, he stressed any upturn was unlikely to be rapid, and that demand in Europe was still weak across Electrolux's ated in the second quarter the second quarter.

other product divisions. The group reported a 14 the second half.

per cent fall in first-half pre
Operating prof tax profits, from SKr2.1bn to SKr1.8bn (\$273.9m). This was slightly better than market expectations and helped lift the company's B sbares

SKr12 to SKr347.

performance in the US helped offset weak sales in Europe, while demand had risen strongly in Latin America. Turnover outside the US and European markets doubled in the first six SKr200m on sales of months, the group said. Group sales slipped from 5Kr60.6bn to 5Kr57hn, but the fall was only 1 per cent when fully adjusted for exchange rate effects, acqui-

Electrolux said a robust

stronger krona and Italian lira.

sitions and divestments. Vol-

would show benefits during

Operating profits in household appliances, the biggest unit, fell from SKr1.3bn to SKr1.2hn on sales of SKr36.9bn against SKr38.1bn. However, white goods sales to the US were higher because of an improved second quarter at Frigidaire.

the US subsidiary. The main disappointment was industrial products, where operating profits dived from SKr460m to SKr5.5hn against SKr7.3hn. The decline was blamed on falling sales at Gränges, the aluminium subsidiary, amid deteriorating market conditions and lower prices. In commercial appliances,

umes suffered from the lower sales in Italy, France and Scandinavia triggered a sharp drop in income for Mr Johansson said a cost food service equipment, reduction programme initialthough this stabilised in

#### PROFILE **ELECTROLUX** Market value: \$3.6bn Main listing: Stockholn 5.13 Historic P/E Gross yield Earnings per share Current share price SK-347 High-your to June 30

# Hypo-Bank disappoints with 22% rise

By Andrew Fisher

Bayerische Hypotheken- und Wechsel-Bank yesterday first-half operating profits, to DM556m (\$376.2m), despite an increase in risk provisions and a decline in ownaccount trading income.
The figures disappointed

bealthy increases, reflecting try, retail business and the improved mortgage buslless, robust securities markets, and restraint in cost

growth. But provisions were 14 per cent higher at DM639m. The bank said this did not reflect the need to set aside more money for lending risks, since loan-loss provisions bad been reduced slightly.

The bank said the rise in

risk provisions was the result of lower profits from the securitles portfolio it bolds for liquidity purposes. It did not separate these out, bowever. Analysts said the difference with other banks, which have reported an

higher at DM2.25bn; mort- year from the sale of shares gage business, helped by rising demand for bousing making company. making company. Hypo-Bank said costs rose

1.9 per cent to DM1.62bn in the first six months. Its goal is to keep growth in costs to 1.7 per cent over the whole year, with no rise in person-

Komerční is the leading nel expenses. Other German banker to Czech industry with about one-third of the market increase, despits heavy spending on technology, per cent to Kc256.1bn, cominvestment banking and the pared with a fail of 1.5 per cent in the sams period last year. Total assets stood at restructuring of rstail

Kč423.7bn. Net interest income rose 5 per cent to Kč6.9hn on a net interest margin at June 30 of 3.93 per cent. Income from fees and commissions, an area Komerčni has targeted as a source of future revenue growth, reached Kč4.1bo.

held back

by growth

By Vincent Boland in Prague

Komerční Banka, the Czech

Republic's largest commer-

cial bank, yesterday reported a decline in pre-tax

profits in the six months to

June 30, blaming higher

administrative costs. Net

profit, bowever, was

unchanged on the same

Interim pre-tax profits fell

to Kč3.3bn (\$124.5m) from

Kč4.5bn in the same period

in 1995. The hank's net

Mr Kamil Ziegler, manag-

ing director, said adminis-

trative costs had risen by

Kelbn in the six months,

eating into profits at the

pre-tax level. The rise had

also confirmed analysts

fears that the cost base at

Czech banks is escalating after expansion in employee numbers and spending on

technology over the past

The bank's loan portfolio grew nearly II per cent to

Kč240.6bn in the period,

whils provisions for bad and doubtful debts fell slightly

to Kč29.6bn from Kč30.4bn.

Primary deposits rose 9.3

profit remained steady at

period last year.

in costs

The results were broadly in line with analysts' expectations, and Komercni appears on target to record full-year net profit of Kc5bn. Its share price fell K620 in early trading yesterday

before recovering to close Kč12 higher as the Prague stock exchange reached its would benefit from a highest level so far this

# **NEWS DIGEST**

# **Europe Online** seeks rescuer

Buyers are being sought for Europe Online, the fledgling internet service provider, after it was declared bankrupt hy the Luxembourg commercial court less than a month after its main shareholder withdrew funding.

The Luxembourg-based company went into court administration to protect it from creditors in July, after Burda, the German publisher which controls 33 per cent, withdrew financing. The move was to give Europe Online scope to negotiate with new potential backers, thought to include CompuServe, the US on line company; ITT, the US group; and, more recently, Deutsche Telckom. But the talks were reported to have collapsed on Friday, after

which the company was declared hankrupt. Europe Online, in which Pearson, publisher of the Financial Times, has a small stake, was founded in 1994 with the aim of providing a European-language alternative to US services such as CompuServe and America Online. But after delays and shareholder disagreements – including the withdrawal of Matra Hachette of France - It began operating last December

CompuServe and ITT are thought to have made offers to invest in the company, but these were not fully acceptable to Europe Online's court administrators. Other investors in the company include two Luxembourg stateowned banks, and AT&T and Meigher Communications, Neil Buckley, Brussels the US telecoms groups.

#### Roussel Uclaf ahead 45%

Roussel Uclaf, the quoted French subsidiary of Hoechst, the German pharmaceuticals group, yesterday reported net income up 45 per cent to FFr1.04bn (\$207.2m) for the six months to June 30. However, it warned of gloomy domestic prospects for its products. Sales were up 8 per cent to FFr8.65bn, or 5 per cent in comparable terms before the creation of joint ventures with its Hoechst parent and a reorganisation with other subsidiaries. Pharmaceutical sales slowed in France and Japan,

where the group said business conditions were difficult, compounded in Japan by negative currency effects. However, turnover was better elsewhere, with healthcare sales up 3 per cent to FFr6.5bn, fine chemicals up 11 per cent to FFr1.1bn and animal health up 10 per cent. Net income rose 14 per cent to FFr744m after excluding Andrew Jack, Paris exceptional items.

#### Amer Oy unveils revamp plan

Finnish sporting goods group Amer Oy yesterday told the London Stock Exchange it was restructuring its Wilson division to improve profitability in golfing equipment. It also said Mr Jim Reid-Anderson, Wilson's chief financial officer and acting chief operating officer, would resign this month. Golf, tennis and team sports divisions would report directly to Mr Roger Talermo, Amer president. The statement to the exchange follows an unexplained surge in Amer's shares price, up 22.5 per cent last week to to a high of FM98 on Friday. Reuter, Helsinki

#### Sales stronger at UAP

UAP, the French insurer, said sales rose 5.4 per cent to a provisional FFr85,4bn (\$17bn) in the six months to June from a year earlier. With a comparable structure and at constant exchange rates, the rise was 3.9 per cent, Revenus in non-life operations rose 3.7 per cent to FFr47.75bn, a 1.2 per cent increase at constant exchange rates and on a comparable structure basis. AP-DJ, Paris

#### rivals, the bank reported banks are also striving to lower financial trading lower their rats of cost improved securities result. came from when such profits some analysts who had been Rather, they remained high income, with a 35 per cent expecting an improvement because of economic uncerwere booked rather than any fall to DM51m. However, it to well over DM600m. Profits tainty and the impact of the trading variations. said the trading result was on lending and on commis-sion-based business showed gradually ending - on indus-income was 10.5 per cent gain in the same period last

Pricing pressures hit Nycomed's first half By Greg McIvor

Shares in Nycomed, the Norwegian pharmaceuticals group, tumbled 9 per cent yesterday after it reported a 26 per cent fall in half-year profits.

The group had warned in June that earnings would be well below last year'a level, but profits in the first six months were still about 10 per cent lower than market forecasts. Pre-tax profits slid to NKr678m (\$106.3m) from said rival suppliers were ting drive across its little to differentiate them,"

CKEDII

LOCALde

FRANCE

Financial Agent

Credit Lyonnais Luxembourg

FRF 1,000,000,000 10 1/2% dec. 1990-dec. 1998

(Sicovam code 14449, ISBN code XS 00 29088470] FRF 1,500,000,000 7.25% cct. (771-cct. 1994

FEF 300,000,000 4 1/2% sept. 1992-sept. 2002 (Skovam cade 14907, ISBN code 23 00 39217400]

FRF 300,000,000 (severse Santur agr. 1993-apr. 2003 (Skovam code 14957, ISBN code X3 00 42004475)

FRF 2.000,000,000 7% 1993-may 2003

CISING code MS OC RECIBER.

FRF 3,000,000,000 6 1/4% 1773-mpc. 2905

• ECU 150,000,000 4 1/4% apr. 1994-apr.2001 (Stormer onds 19904, ISBN code 325-0049837775] • USD 100,000,000 Floating Rate 1990 oct. 1997

Financial Agent

Banque Paribas Luxembourg

THE 1.300,000,000 T 1/4% (993-400, 1993

(Slowen com 14713, ESIN com 22 4 ECU 900,000,000 \$ 1/2% jan. 1999

(ISIN code X3 00 15010207)

(ISDI code X3 00 41601260)

The Board of Directors

Seb. 1773-4cb. 2003

voja cede 14772, ISBN cede 315 00 37945651]

(Slovens code 19722, ISBN code X3 00 45434457) FRF 750,000,000 7 3/4% step up supr. 1974-supr. 2004

(Sicurato code 19830, ISBN code XS 90 52907754] ECII 1,000,000,000 Zero coupen acz. 1771-eci. 2001 (Sicurato code 14713, ISBN code XS 90 340325491

USD 250,000,000 & 7/8% oct. 1787-oct. 1797

- cade 14749. ISIN code X3 90 35949634] GEF 100,000,000 4,25% aug. 1994-dec. 1999 (ISIN code X3 00 52123009)

ed at the Meeting.

pm code 14400, ISIN code X3 00 15059434)

un cudu 14710, ISRN cudu 33 00 33824487)

man code 19929, ISBN code X3 00 46020543)

FRF 3,000,000,000 7 1/4% 1989-dec. 1997

NKr3.99bn NKr4.26bn, following a deterioration in the second quar-

X-ray contrast agents, its

against per cent for new contracts.

investors expressed their disappointment by off-loading Nycomed stock, The group's most-traded A share fell NKr7 to NKr79. Nycomed blamed the revenues were hit by pricing

decline on fierce price com- pressures. petition in the US market for

GENERAL MEETINGS OF BONDHOLDERS

**Notice of Meeting** 

Holders of the bonds listed below, issued by Crédit local de France,

Financial Agent Sogenal

vam code (4452, ISIN code X3 00 30199003)

PUF 2,000,000,000 7 7/0% fds. 1991------2001

FRF 2,000,000,000 Zury comes he. 1992-he. 2001

. FRF 550,000,000 CAC 40 Index-Valued Zero compen

(Slorven cade 14754, ISBN cade XS 00 35746700) FRF 300,000,000 4.50% Optional Reads on the

CAC 40 Index, July. 1771-july. 1997 (Slowan code 14468, ISTN code XS 32327784)

· FRF 500,000,000 8,53% apr. 1992-way 2000 Punchis Bunds

van tede 14764, ISBN code X3 00 36803046)

FRF 300,000,000 CAC 40 Index Balest apr. 1972-apr. 1977

vam cade 14761, ISIN cade XS 00 34490849)

FRF 500,000,000 reverse Sensor dec, 1972-dec, 197 (Sloovam cade 14735, ISBN code X3 00 40621414)

1907-750,000,000 reverse Souter apr. 1973-apr. 2000 (Skowam code 14972, ISDI cade X3 00 43070754)

(Skovam code 14772, harm cour as everywheel 2007; FEF 500,000,000 reverse Seasor dws. 1993-dec. 2007 (Skovam code 19963, ISIN code X3 00 47338972)

fec. 1773-dec. 1997 (Skovem ande 19944, ISBN 00de XS 00 47694272)

FRF 1.000.000,000 4.375% eq. 1995-eq. 2000

(Storoum code 17842, ISTN code X3 00 40207809) USD 250,000,000 Seriedhand Henday Rose

Financial Agent

Bankers Trust Company, London

FRE 1,000,000,000 4% with cell vectoric age. 1993-age. 2005
 (Slowven codes for Bonds): 14970 1 for Warrants:

are invited to attend the General Meetings to be held on Wednesday August 14, 1996 at Crédit Local de France, 7 - 11 quai Audre Citroën, 75015 Paris, France, at 2:00 p.m. In accordance with article 308, of the French law of July 24, 1966, the agenda of the meeting

Holders of registered bonds must be listed in the Company's registers at least five days before the date of the General Meeting in order to

Holders of bearer bonds must obtain a certificate attenting that their securities are held in a blocked account from the bank, stock broker or institution managing their account at least five days before the date of the General Meeting.

In the very likely event that quorum requirements are not met, the General Meeting will be reconvened on Thursday August 29, 1996 in the same place and at the same time as listed above.

7 7/8% feb. 1773-mg. 1996

- Board of Directors' report on Crédit Local de France's project to transfer all of its assets and Sublities to its subsidiary Local Finance

3 00 42442945, Samia X3 00 42643063, https://doi.org/10.100/

ECU 300,000,000 6% page. 1999

(code ISIN XS 00 44174048)

Proxy forms will be sent to bondholders upon request from the Financial Agent in charge of each bond issue.

FRF 750,000,000 CAC 40 today-finded 5,38%

feb. 1772-feb. 2000

ang. 1992-mig. 2002

(ISIN cade X3 00 39170680)

However, the group said it had held its US market share in the battle with rivals, which include Bracco and Malinckrodt of the US, and Schering of Germany, It lifted market share in Europe and Asia, but again

Mr Eric Cameron, senior vice-president, said Nycomed biggest product range. It would implement a cost-cut-

offering discounts of up to 60 operations to raise profitabil-Mr Peter Smith, pharma-

finance, was 18.5 per cent.

higher, and normal lending

business rose nearly 5 per

cent. Commission income

showed a 9 per cent improve-

Unlike its main domestic

ceuticals analyst at HSBC James Capel in London, suggested diagnostic imaging prices would continue to slip during the rest of tha year and into 1997. "There is very little they can do unless the other players in the US decide to be less aggressive on price. The basic problem is that everyone has very similar products which have

Financial Agent BNP Luxembourg

783' 4,000,000,000 Zero array just 1772-june 2003

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Financial Agent MGT, London

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Rate Natus pape. 1772-rapt, 2002 (ISTN code XS 90 39507511)

• FRF 1,000,000,000 4% nov. 2001 (code Sicrems 19944, ISBN code 23 00 44908421)

The First National Bank of Chicago,

FRF 1,000,000,000 7 1/4% june 1994-eq. 2003

apr. 1773-apr. 2005 (ISBI code X3 00 42732748

ran cade 14451, 1501 cade XS 60 29533402)

· FRF 2,000,000,000 7,625% Sab. 1996.

om code 14781, ISBN code 23 00 38002027)

he said. Operating profits in the diagnostic imaging division, excluding research and development costs, were down from NKr553m in the first quarter to NKr459m in the second. The other main

division, therapentics.

posted a rise in operating profits, from NKr114m in the first term to NKr139m. Analysts said the company was suffering from a lack of operational diversity and partner.

#### Ireland

U.S.\$100,000,000

Private Placement Issue Floating Rate Notes 1997/2000

(Coupon No. 23)

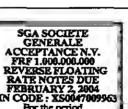
Pursuant to Note conditions, notice is hereby given that for the interest period 6th August, 1996 to 6th February, 1997 (184 days), Amount per coupon (No. 23) - U.S. \$30,347.22

Payable on the 6th February, 1997



The Long-Term Credit Bank of Japan, Limited London Branch

Agent Bank



Por the period
August 02, 1996
to November 04, 1996
the new rate has been
fixed at 7,946875 % P.A. Next payment date: November 04, 1996 Coupon m: 8

Amount: FRF 2 075.02 for the denomination or TRF 100 000 FRF 20 750,17 for the tenomination of FRF 1 000 000

THE PRINCIPAL PAYING



ITL300,000,000,000 variable rate potes due 2004

Notice is hereby given that for the interest period 2 August 1996 to 3 February 1997 the notes will carry an interest rate of 8.35% per annum. Interest payable on 3 February 1997 will amount to IT.208,500 per ITL5,000,000 note and TTL2,095,000 per TTL50,000,000

Agent: Morgan Guaranty Trust Company **JPMorgan** 

West Rand Consolidated Mines Limited

SAM FOOTITT Formerly a Director of Shell (UK) Limited

as a Non-Executive Director,

(Incorporated in the Republic of South Africa) Registration No.01/01978/06 The company's interim report has been issued today and copies are available from the United Kingdom has joined the Board of BILLITON METALS LIMITED

Secretaries: Viaduct Corporat Services Limited, 19 Charterhous



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FIDELITY FUNDS Société d'Investissement à Capital Variable Registered Office: L-1021 Luxembourg, B.P. 2174 Kansallis House - Place de l'Étoile

R.C.S. Luxembourg B. 34036 NOTIFICATION TO THE SHAREHOLDERS

Shareholders are hereby informed that several amendments have been brought to the content of the current Prospectus of the SICAV: The amendments are the following and shall also only be effective ober 6, 1996, one month after the date of the the present notice:

1. Amendment of the name of the Sub-Fund "Europe Fund" into

2. Precision of the investment objective of the European Balanced Fund so that the three part investment objective of Fidelity Funds European Balanced Fund be as follows:

to conserve investors' initial capital over the long term to pay current income - to achieve long term growth of both capital and income.

3. Form of 5hares - Bearer Shares Bearer Shares in definitive form shall no longer be available to investors. Shares to be issued in Funds created or offered after 5 September 1996 as well as new Shares to be issued in existing funds shall no longer be available in definitive bearer

Such amendments will be described in detail in a revised Prospectus dated September 1996

Shareholders are furthermore informed that they have the right. until September 6, 1996, to ask for the redemption of their shares, without paying any fee, if they do not approve such amendments. Luxembourg, as of May 14, 1996 FOR THE BOARD OF DIRECTORS



#### Inkel Corporation (Incorporated in the Republic of Korea with limited liability)

Tn the Halders of the Company's

U.S. \$20,000,000 % per cent. Convertible Bonds 2003 (the "Bonds")

Notice of An Extraordinary **Resolution Duly Passed** 

Notice is hereby given that, at a Meeting of Bondholders held on 25th July, 1998 at the offices of Chase Manhattan Trustees Limited ("the Trustee") at Woolgate House, Coleman Street, London ECZP 2Hill the following Extraordinary Resolution (as defined in the Trust Deed deted 20th June, 1994 between the Company and the Trustee) was approved by the Roorlindfest.

"THAT if resolution 1, above is not approved by the Bondholders" and the resolution of the Company's exameholders to approve the Merger is passed, the Trustee be and is hereby directed to give notice to the Company that the Bonds are immediately due and repayable pursuent to Condition S of the Bonds and that the Trustee be sufficient to take such other steps, including the taking of proceedings against the Company, as the Trustee considers necessary or desirable in connection with the foregoing or otherwise to enterth present and the Bonds all subject nets to the to ensure prompt repayment of the Bonds, all subject on Trustee being indemnified to its satisfaction."

The Chase Manhetten Bank Woolpase House London EC2P 2HD

THE PRINCIPAL PAYING AGENT

PAYING AGENT Cheee Manhattan Bank Luxembourg S.A. 5 rue Plaetis, L-2338 Luxembourg-Grund

By order of the Trustee 6th August, 1996

Publication Agent

CREDIT LYONNAIS

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The company also hopes to Shan state.

Ital-Thai'e willingness in

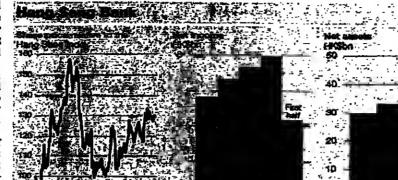
Laos, telecommunications in

as the loan book grew and the net interest margin rose from 2.68 per cent a year for Hang Seng Bank, the listed the first half of 1995 to 8.12 subsidiary of HSBC Holdings and Hong Kong's second-hig this year.

gest quoted bank, yesterday Advances to customers. trumped market forecasts by net of provisions, increased 17.8 per cent year on year, to reporting a 34.4 per cent rise in interim net profits, from HK\$146.1bn, fuelled mainly HK\$3.24bn in the first half of 1995 to HK\$4.85bn (US\$562m) by corporate lending and residential mortgages. in the same period this year. Results were lifted by dis-

Mr Alexander Au, chief executive warned against expecting an equally robust second half, as price compeits two New York branches tition was intensifying. However, many analysts revised their full-year forecasts upwards. Mr Andrew Brown, of Salomou Brothers in Hong Kong, who had been looking for net earnings of HK\$3.97bn, reckoned the bank would "at least" maintain its net interest margin.

Despite the negatives of a market environment which will be less hospitable to sions for bad and doubtful debts totalled HK\$220m.



provides management with alternative measures to influence the net interest margin in the second half,"

result of provisions made for non-performing trade-related But Mr An said the ratio of

non-performing advances to total advances, at 0.6 per cent from last year's 0.5 per

sharply up on last year's cent, reflected the continu-HK\$71m and primarily the ing high quality of its loan ing high quality of its loan Earnings per chare grew

34.4 per cent, from HK\$1.68 to HK\$2.25, and the directors are proposing to double the ioterim dividend from

# Hang Seng advances 34% in first half Great Eagle to renew HK\$3bn spin-off plan

Great Eagle Holdings, the Hong Koog property and hotels company, yesterday said it was renewing plans for a HK\$3bn (US\$387m) spin-off of its office and commercial properties projects. The group will retain an interest of more than 60 per cent in the new company.

The move, two years after similar plans were abandooed, comes amid signs of an upturn in the office property market. It also follows a string of spin-offs in Hong Kong, whereby companies have hived off China property and infrastructure holdings in a bid to raise cash and realise value.

Mr Adrian Lee, assistant director at Great Eagle Hold-

office and retail investments. takes in the ground floor at That market has bottomed the company's key money out and is on the rise again. spioner Citibank Plaza which is why we have cho- Mr Euan Weir, analyst with sen this time to raise some Merrill Lyncb, estimates capital. It realises value for 88 per cent of Great Eagle's existing shareholders, and it 1996 reotal income and is also raising funds to go 60 per cent of the value is also raising funds to go of its portfolio come from into further investments." He sald the earlier issue the Hoog Kong office

was pulled because the mar-Great Eagle's share price ket weakened before it could be finalised, but bankers say climbed 3.78 per cent to close there was also disagreement at HK\$23.35, from Friday's over calculation of the com-\$22.50. It is trading on a dis pany'e net asset value. Nonecount to net asset value of theless, Mr Lee expects the about 37 per cent compared with an industry average of line-up of lead underwriters to be "similar" to last time 25-30 per cent. The company when the roster included plans to channel funds into a Peregrice lovestmeots, Credit Suisse First Boston 1.8m sq ft urban renewal project being carried out in a and Goldman Sache. densely populated pocket of The new company will Kowloon, as well as forth-

# HDFC approves 20% more loans | Modiluft in collaboration talks

By Tony Tassell

Loans approved by India'a Housing Development Finance Corp. the country'e largest provider of housing finance, totalled Rp8.52bn (\$230m) in the period from April to July, an increase of

posals of locally listed equity

investments and the sale of

Operating profit was up 24.3 per cent, from HK\$3.61bn to HK\$4.49bn,

reflecting a sharp increase in net interest income, substan-

tial growth in fees and com-

missions, and a low cost-to-

Net interest income

increased 30 per cent, from HK\$3.85bn at the halfway

to Marine Midland.

income ratio. .

achieved in the same period with a coupon rate of 12.5 to

raise Rp200m through an Markets, ruled out any issue of non-redeemable, equity dilution this year. non-convertible preference

20 per cent on the Rp7.13bn a maturity of 5 to 7 years Rp5.67bn. Deposits rose by 17

14 per cent. The corporation, which runs a retail banking Mr Deepak Parekh, HDFC which runs a retail banking chairman, said it planned to joint venture with NatWest

The value of loans issued over the period had risen by These were likely to have 26 per cent, from Rp4.49hm to

per cent to Rp29.45 Parekh said the HDFC'e new office in Dubai had made a strong start with 40 loan approvals in the first two months of operation. The average loan was

Rp700,000. The fall in Bombay property prices would have little effect on the group'e profitability, said Mr Parekh. Most of the downturn had been felt in inner suburbs of the city while most of the HDFC's loans were in the

By Tony Tassell

Modiluft, the lodian domestic airline, is holding talks with several international airlines over a possible alliance or joint venture. A deal could include the

leasing of aircraft, an equity investment by the foreign airline, and a technical colaboration, Modiluft said.

"We are open to a package deal." But the company would not comment on reports that British Airways and United Airlines had

been in talks aimed at build- ration agreement with Moding closer marketing and management tles with the Indian group.

A deal would not affect cootrol of the company. Mr Suresh Kumar Modi, chairman, currectly bolds 56.12 per ceot of Modiluft and would retain a majority

stake in the company. "We want to resolve things
The balance is beld by amicably through oggotlafinancial institutions, expatriate Indians and the public.

iluft earlier this year following a dispute over payment for three Boeiog aircraft leased to Modiluft. .

include all relail space coming investments.

The lodian group has suspended its threat to take legal action seeking \$100m in damages from Lufthansa for breach of contract.

"We want to resolve things tions," the airline said. PAL-Peugeot, the Indian Lufthansa, the German car maker, will close its airline, withdrew from a plant at Kalyan near Bomcar maker, will close its three-year technical collabo- bay oo August 16,

productivity for the closure, saying workers had failed to meet agreed targets. The plant, a joint veoture betweeo India's Premier Automobile Ltd (PAL) and Automobiles Peugeot of the PSA Peugeot Citroeo Croup of France, builds Peugeot 309 and Premier 118NE models.

The company blamed poor

Under the terms of their agreement, workers have to produce 16 309 models and 60 Premier 118NE models each day, but are seeking more pay for more productivity.

# Ital-Thai finds a novel way to achieve expansion

he international air- take minority equity stakes 750 hectare land reclamation port in Mandalay does not inspire confidence. From the muddy car park, passengers walk a rickety wooden footbridge to a vice-president of finance at email unkempt terminal Ital-That. "We're afraid that both owned by Thailand's where overhead fans circu- if we stay in Thailand to late more flies than air. reach that goal we will have Walking to their aircraft, they are separated from the spinning propellers by noth-

ing more than a red rope. image Burmese authorities with the role of a developer, wish to portray as they pre- able to deal with governpare for an influx of travel-ments and arrange financ- fading as environmental conlers during national tourism - mg. This can involve an elewhich begins in November. But barred from receiving low-cost loans from international organisations, Burma also lacked the \$150m it will take to rebuild and enlarge the airport.

A way out of this impasse has now been found by Italian Thai Development, one of south-east Asia'e largest contractors, with the help of concessional financing from Thailand'e Export-Import

In coming months, Ital-That is due to begin work on the Mandalay airport. Its strategy of combining a bid to construct the new airport with the promise of cheap financing for the Burmese government has enabled the company to avoid a costly bidding war for the project which would have driven down margins.

sign a similar agreement to build a \$150m dam on the Mae Kok river in Burma'e

Mandalay to help provide both financing and construc-tion expertise is proving successful for the company in other south-east Asian countries as it expands its order book beyond the saturated Thai infrastructure market. Contracts for dams in

Vietnam and land reclamation in the Philippines have been won not through open bidding, but because of the company's willingness to

Expanding beyond its national border has forced

the company to complement This is certainly not the its core building business Chatichai. "If we make an investment then the main developer feels he has to give us the contract. Investing Bt200m is worth it if you can get a Bt6bn (\$240m) con-

In its local market, Ital-Thai has a record of becoming an equity partner in order to win high-margin turnkey projects. Via equity stakes, the company has won contracts from the Bangkok Transit System Skytram, Exchange Square, That Telephone & Telecommunications, and Pta Daeng Office Complex.

The company also hopes to avoid problems encountered by other Thai corporations which have invested overseas, where the security of Thailand's tight-knit Sino-That business community is often absent.

In the Philippines, for example, the company has entered a joint venture with prominent Chinese filipinos. It holds a 30 per cent stake in a \$300m project to develop a third terminal at Manila's Ninny Aquino International Airport with Asia Emerging Dragon Corp, a consortium of Chinese tycoons which banded together at the request of President Fidel Amos. The company expects to win a construction contract worth between \$150m

Ital-Thai also has a 38.4 per cent holding in Amari Coastal Bay Development, a

project in Manila, with overseas Chinese investors including the Hong Leon Group of Malaysia and Bang-kok Bank and City Realty, Sophonpanich family.

infrastructure operations in Laos and Vietnam highlight some of the risks of this strategy. In Laos, Ital-Thai's hopes of securing a \$320m contract via an equity stake in the \$1bu Pam Then 2 dam are cerns and financing risk

Its stake in another venture, the \$5.3m Pan Gum 3 dam, has been cut in order to utilise equipment already in use at Laos and dilute risk. Ital-Thai already has lucrative minority stakes in beer and soft drink production in Lags.

In Vietnam, the future of its joint venture with the Ministry of Defence and Jasmine of Thailand to build and operate telecommunications services is unclear, according to Mr Chatichal "It's moving real slow and is

n the face of such problems, the company does not rely on realising a profit from its equity stakes. Instead, it plans to draw out of these developments within five years of completion - a etrategy which enables the company to concentrate the cootrol of its contracting work in Thai-

But although it has chosen not to set up an interna-tional contractor, Ital Thai has begun to evaluate the projects it gets involved in differently. "We are looking at countries' priority projects. The Philippines and Burma both took less than a year to negotiate. That'e quite quick because they are things they have to finish. That way the process moves

**Ted Bardacke** 

# Value can also come from acknowledging the strength of others.

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It is with pride and enthusiasm that Bankers Trust welcomes its new partners from Wolfensohn & Co., a firm whose reputation and track record as a substantive creator of value for its clients has been established at the highest levels. The merger will combine Wolfensohn & Co.'s proven abilities in senior advisory, merger and acquisition activities with Bankers Trust's unsurpassed abilities to

create and execute innovative financial structures and transactions. Together we look forward to new levels of innovative, global, value-creating performance to the benefit of all our clients and prospective clients.

**♣** Bankers Trust

FAR EASTERN TEXTILE LTD NOTICE IS HEREBY GIVEN to holders of the Bonds ("Bondholder") that any Bondholder may, in accordance with Condition 7(0) of the Bonds, by completing, signing and depositing, at the office of any Paying Agent specified below, a notice for redemption, in the form obtainable from a Paying Agent, no earlier than 19th August 1996 and no later than 2nd September 1996, require the Company to redeem on 7th October 1996 all or some only of the Bonds held by such Bondholder.

Any such notice of redemption will be irrevocable and will blind the Company, upon surrender by the Bondholder of the Bond or Bonds to which such notice relates at the specified office of the Paying Agent with whom the notice of redemption was deposited, to redeem such Bonds at a redemption price of 117-25% of the principal amount of such Bonds together with interest accrued to the date of redemption. deal Paying Agent WC2R 1HB L-1330 August 6, 1996 By: Cificorp Trustee Company Limited.

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Export Development Corporation U.S. \$100,000,000 Collared Floating Rate Notes dine February 5, 2003 Series "YV"

For the Interest Period 5th August, 1996 to 5th February, 1997 the Notes will carry a Rane of Interest of 5.59375% per per U.S. \$1,000 Note will be U.S. \$28.59, per U.S. \$10,000 Note will be U.S. \$285.90 and per U.S. \$100,000 Note will e U.S. \$2,859.03. The next nerest Payment Dane will be 5th February, 1997.

#### COMPANIES AND FINANCE: THE AMERICAS

# **GE** Capital spends \$1.8bn on First Colony

By Richard Waters

GE Cepital, the financial services arm of General Electric, yesterday reaffirmed its position as one of the most active buyers of US life insurance companies as it unveiled a \$1.8bn acquisition of First Colony, a company based in Lynchburg, Vir-

The agreement follows a decision by First Colony's board two months ago to put the company up for sale. Before talk of a sale began to emerge, the company's stock was trading at below the \$28 at which it was floated on in 1992, putting its directors under pressure to find e way to lift its share price.

The acquisition will edd \$11bn of assets to GE Capital's annuity and pension operations, which are centred around its GNA subsid-

iary. Mr Michael Fraizer, senior vice-president for investment products, did not rule out further acquisitions by GE Capital, but said the company would now concentrete on expanding its existing insurance opera-

The ecquisition of First Colony will reinforce GE Capital's range of products in three areas where it is not presently strong. Mr Fraizer

These are: structured settlements, which are annuitylike contracts bought by recipients of court awards or disability settlements; retirement annuities; and term

In an industry where size

importance, the addition of

base and product range. First Colony will also extend the number of GNA's sales ent through banks.

overlap between their channels means that the operations of First Colony

acquisitions, the GE unit Insurance Company of Virginia, e former subsidiary of Aon, which brought It \$9bn of new assets. And e year ago, it bought Amex Life, a unit of American Express which had assets of

GE Capital is also thought to be studying the existing reinsurance unit.

\$11bn of assets will also reinforce GE Capital's position ducers of the US life insurance business Besides adding to its asset

channels. Mr Fraizer said. conducted through general agents, while GNA schieves a large proportion of its sales The fact that there is littla products and distribution

and GNA will not ba integrated immediately after the acquisition, although Mr Fraizer did not rule out such a move at a later stage.

pay \$36.15 e share in cash for First Colony, and expected the deal to close by the end of this year.

acquisition of one of the US's reinsurance companies, American Re. Its Employers Re, ranks second in the industry in the US to

GE Capital said it would

Among other racant

cessful asseult on medical costs, this has made for an uncomfortable few months. There is one thing, how ever, that has not changed: the pace of consolidation that is transforming the industry. Over tima, this may prove to be the best

way for the managed care companies to reinforce their faltering profit margins. But it seems unlikely to win them back friends in state legislatures across the country, or in the boardrooms of companies that pey their premiums. Yesterday's \$2bn acquisi-

the US's managed

An erosion of profit mar-

ginshas come as a nasty sur-

prise on Wall Street. Politi-

cians across the nation,

prompted by compleints

from patients, have hit back

For the companies, which

this decade have been in the

vanguard of the US's suc-

healthcare companies.

with new regulations.

tion of FHP International by PacifiCare Health Systems



around 3 per cent a year, compared with the 13 per ource, one of the industry's biggest companies, turned in cent growth still being seen bad first quarter earnings and has since suffered a 70 ance companies, says Mr Kenneth Abramowitz, a per cent share price slide. healthcare analyst et San-Humana issued a warning about its rising medical costs in early June and saw lts shares lose a fifth of their mowitz adds, is that their value in a single day.

Then, in early July, it was the turn of United Healthcare, tha country's biggest managed care company. Its gave e lift to the share prices ennouncements. Heelth-shares dropped on news of

rising medical costs, ebedding 30 per cent of their

have since made up only a

third of that loss. These announcements have highlighted two problems. One concerns prices: the competition for new customers has become intense reflecting the success HMOs have already had in signing up most of the big corpora-

customers. To win new customers, HMOs are now having to light on price.

They are also being forced to offer a wider range of services, in turn lifting their costs. Pressure from local politicians is also nudging HMOs into ensuring that patients are given access to a wider range of services.

FHP has been among the

industry's laggards: its growth rate has slowed at the same time that it has been forced to cut premium rates. Also, it has suffered from running its own, inefficient medical centres. To reinforce its earnings, the company has alreedy moved to separate the medical centres into a new entity and has hacked back its workforce by 15 per cent over the last 12 months. PacifiCare. with a better record of growth and cost control. should accelerate these

The new company will also be e leader in the corner of the US managed care market which has the best tions whose healthcare bills growth prospects: insuring make them tha most obvious retired people. As the Medi-

Falling profits speed consolidation of HMOs care programme for the elderly comes under pressure, the flow of elderly people into managed care plans is likely to increase markedly. Even with the political uncertainty caused by Washington's efforts to control Mcdlcare costs, the high profits in serving the elderly make this a highly attractive market. Of 4m customers after the FHP acquisition,

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PacifiCare will have about Im in Medicare. Eventually ecquieitions like these are only likely to rekindle stock ourket enthusiasm for the managed care companies if they bring a return to higher profit margins - something that will depend in part on e return to

higher prices.
That is already detectable. says Mr Abramowltz, as the biggest HMOs start to win back pricing power as their market chares rise. As a result, the stock market rout may finally be over: but HMOs are unlikely to soar back to the top in any political popularity contests.

**Richard Waters** 

# Pharmacia sales unchanged

first half of 1995.

publicly-traded companies

that run health maintenance

organisations leaves progres-

sively fewer to be acquired,

raising the stakes for those

that remain. Meanwhile, the

wholesala purchase of small

HMOsreflects the seemingly

unstoppable spread of the

is undeniably good news.

Managed care companies

have been tremendously suc-

cessful at containing health-

care inflation - their medi-

cal costs are growing at only

in traditional health insur-

The trouble, as Mr Abra-

This bad news on profit

prices have not been grow-

margins has been delivered

in a series of company

For the stock market, this

biggest groups.

ford C Bernstein.

ing at all.

By Daniel Green

Problems in Japan and the US, and with currency movements, left second-quarter salee et Pharmacie & Upjohn, the US-Swedish drugs company created by e merger last year, barely changed at \$1.8bn.

But cost sevings as e result of the merger boosted net profits, before restructuring costs, to \$269m from Earnings per share grew

11 per cent to \$0.51 for the quarter ending June 30 1996. This excludes merger and products had yet to make up tration.

other non-recurring costs of the gap. The figures had also \$187m, or \$0.31 a share. First-half net sales grew 2 price cuts in Japan. per cent to \$3.51bn, compared with \$3.45bn in the

strengthening of the dollar. Sales rose 4 per cent if currency effects were excluded. He said the company's sales growth was still being held back by competition for products whose patent had expired in recent years. Sales of recently launched

Mr Bob Salisbury, chief

financial officer, said sales

had been affected by the

But he said that launches in the US of Xalatan, for gleucoma, and Camptosar, for cancer, would help lift. growth from the end of the year. Mr Salisbury said that merger savings had reduced operating costs' percentage of sales from 84 per cent in 1995 to 79.5 per cent now. The target was 76 per cent by 1996, equating to \$500m a year in savings. More than half the savings were coming from sales and adminis-

#### Inco to go ahead with deal ment\_ Inco said it would not known as Exdiam.

By Bernard Simon

Inco, the western world's biggest nickel producer, is set to proceed with its C\$4.3bn (US\$3.12bn) takeover of Vancouver-based Diamond Fields Resources following the settlement of e lawsuit brought against Diamond Fields by e group of Texan investors.

Diamond Fields, whose main asset Is the vast Voisey's Bay nickel, copper and cobalt deposit in eastern Labrador, has agreed to pay US\$25m to the Texas group,

Diamond Fields' co-chairman, Mr Jean-Raymond Boulle, was at one time e

shareholder in Exdiam. His former partners alleged that he diverted business opportunities from Exdiam to Diamond Fields which helped it finance the Voisey'e Bay discovery. They originelly claimed e share in the Voisey's Bay property.

Diamond Fields contended that the suit, which emerged only after Inco'e agreed bid in March, was designed to exert maximum pressure for e substantial cash settle-

finelise the deal until the dispute was resolved. Inco would have been at liberty to walk away from

the deal or propose e new offer if e settlement had not been reached by August 31. Mr Bouile further agreed to dismiss his \$207m Texas lawsuit against the Exdiam litigants "in order to permit the merger to proceed"

Inco eeid yesterday lt would move to complete the deal as soon as possible, and expected to announce a closing date within the next

# New Brunswickers play guessing game over Irvings



1992, his will is still secret

rarity in the cut-throat world of North American business. The (US\$2.9bn),

city's shipyard and oll refinery (each the biggest in Canada), its daily newspaper, the bus company, the three pulp and paper mills on the outskirts of town. most service stations and hardware stores, and much else besides, all belong to one family: The Irvings' reach extends well

land owned by the province. More than 1,000 Irving Oil service stations dot eastern Canada and New England. The family owns New Brunswick's biggest home builder, several long-distance

S aint John, the commercial hub of the Canadian province of New Brunswick, is a da'e leading potato producers.

Trucking companies with hundred and Jack. The brothers, known to dreds of vehicles, and one of Canadian province of New Brunswick, is a da'e leading potato producers.

and Jack. The brothers, known to acknowledge that the Irvings have brought capital and jobs to the province that might other-Based on a rough calculation, the Irvings' publicly-disclosed assets are worth ebout C\$4bn

> One thing is certain, however. The Irvings, like several of Canada's other close-kntt business families, are in the middle of a transition period that will determine the future stability of their

The family patriarch, Mr K. C. beyond Saint John. They own Irving, died in 1992 et the age of 2.5m acres of forest in rural New 93, almost 60 years after acquir-Brunswick, and have cutting ing his first Ford dealership in meetings are very informal. haven't allowed sunlight into the

The contents of his will, like most other things about the Irvings, are a closely-guarded secret. The various Irving businesses are now run by KC's three sons. Jim (also known as JK), Arthur

mostly in their 30s and 40s, are journalism trainee at the Saint tion. John Telegraph-Journal.

grandson, says: "We all operate in our own areas, but we work closely together."

In keeping with the family's whelming presence in Saint John reputation as feroclously hard may has stunted the growth of workers. Mr Irving adds: "Any small business there. "They ting the job done and keeping things running. If anyone wants to do business Saturday night or Sunday morning, we're open for

New Brunswickers grudgingly ada and New England.

Five of KC's six grandsons, wise have gone elsewhere. "They do so much for the province, also in the business. The first says one retired politician. "The member of a fourth generation of question is whether we'd be bet Irvings has recently surfaced as a ter off if there was more competi-

Mr Frank McKenna, the prov-Mr Jim Irving Jr. KC's oldest ince's premier, generally echoes the sentiment that the family has been good for New Brunswick as a whole. But he says their over-

At the same time, however, the Irvings appear to sense their limitations. Their assets are confined almost entirely to the relatively isolated markets of Atlantic Can-

Mr Kenneth Irving, one of KC's grandsons, told the Saint John Telegraph-Journal last month that "we go where the blueberries aren't quite as thick and

that's where we do our picking". The family has recently shown signs of straying from that rule. Irving Tissue last month signed a deal with Kimberly-Clark, the US paper group, to buy a paper mill near Albany, New York, as well as marketing rights throughout the US for Scotties facial tissues. Scotties has e roughly 6 per cent share of the US tissue market. The fate of the Irving fortune

as KC's three sons approach old

in Saint John. In theory, JK, Arthur and Jack are equals, each running separate parts of the business. There is little doubt however, that JK, aged 67, is primus inter pares

with far wlder responsibilities than his younger brothers. A person close to the family describes him as "the last Irving with vision and balls",

However, JK's older daughter. Mary Jean, who is president of Indian River Farms, a potato producer on Prince Edward Island, has emerged in recent years as a forceful entrepreneur. Outsiders' eyes are also on 35-year-old Kenneth who helps his father Arthur run Irving Oil.

The family also relies on a group of hard-working, loyal and faceless managers. These could play e crucial role in keeping the keel as the femily's control moves from one generation to the

**Bernard Simon** 

metion appears as a matter of record only. Critical below have already been offered for sak The Dow Chemical Company Midland, Michigan, USA DM 300,000,000 5 % Bearer Bonds of 1996 Due 1999 Issue Price: 101.50 % Dresdner Bank - Kleinwort Benson Deutsche Morgan Grenfell ABN AMIRO Hoare Govett ABN AMIRO Bank (Deutschlend) AG Bayerische Vereinsbank AG CS First Boston Effectenbank SBC Warburg Westdeutsche Landesbank Girozentrale Banque Nationale de Paris S.A. Zweigniederlessung Frankfurt am Main Bank of Tokyo - Mitsubishi (Deutschland) Bankgesellschaft Berlin Dai-Ichi Kangyo Bank (Deutschland) AG **BZW Deutschland** Commerzbank Fujl Bank (Deutschland) **HSBC Trinkaus** ING Barings Rabobank Deutschland AG Société Générale S.A. Sumitomo Bank (Deutschland) GmbH

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**Superitors** Markets

#### COMPANIES AND FINANCE: UK

# Eurotunnel claims Purchase will double Newsquest market share gains

Eurotunnel, the Anglo-French operator of the Channel tunnel, yesterday July on the short sea routes. announced a sharp rise in Mr Russ Peters, deputy monthly passenger and vehicle numbers and claimed further market share gains from its ferry

The company, which is locked into debt restructur-ing talks with its banks, said the number of tourist vehicles carried on its Le Shnttle service had more than doubled last month to 284,393 from 112,060 in the same period last year. "We are taking business

from the ferries and creating new traffic demand," Euro-

Virgin

**Atlantic** 

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unnel said. Rival operators P&O Euro-

carried on Eurostar services, the entire cross channel meanwhile rose from 308,027 market for tourist vehicles to 529,330, taking the total so had grown 21 per cent in far this year to 2.76m.

Eurotumel's share price in London, however, failed managing director of P&O to react to the news. It was European Ferries, said Eurounchanged at 101p. Most tunnel's share of the market City analysts said the shares had been inflated by price were unlikely to react until cuts on its services. the current debt renegotia-"It will be interesting to tion talks were completed.

see what price structure they work to when the com-pany has to return to the a deal rescheduling Euro-tunnel's £8.4bn of debt was last week extended to the real world on making a profit," he added. Burotunnel said freight

end of September. On analyst said; "It may traffic had increased year-on-year from last July's 37,126 captured 50 per cent of the captured 50 per cent of the trucks carried to 58,978, with market. But even if it had railfreight tonnage rising 100 per cent, the company from 158,332 tonnes to would probably not be able to service the debt that it has accumulated."

# **BA** rift with

**BWIA** By Bernard Gray Virgin Atlantic, the airline owned by Mr Richard Branson, is in talks with the improved in popularity. Caribbean airline BWIA

abont a possible alliance between the two carriers. The talks follow an in the average percentage of seats sold on each flight. approach to Virgin. by BWIA, and are aimed at

strengthening the Caribbean carrier's position against British Airways, its main competitor on routes to London, and American Airlines, which flies short haul routes from the US to the Caribhirings.

Talks are at an early stage, but Virgin has pro-posed a number of possible ways in which they could

These include code-sharing, which would allow either company to book pas-sengers on to each other's cent equity stake in BWIA.

An alliance would help both companies, as Virgin has strong routes into Florida and has e large Caribbean holiday business which BWIA would be able to feed into, BWIA would increase Virgin's access to routes in the region allowing it to expand its holiday business. However, agreement on any

# **USAir widens**

British Airways lifted pre-tax profits 11 per cent to £150m (\$234m) in the three months to June 30, as travellers took to flying further, and first and club class seats

The improvement came despite a steep rise in operating costs and a slight decline Mr Derek Stevens, chief

occupancy was hit by the threat of a pilots' strike, now withdrawn. Staff costs rose 12 per cent because of a 5 per cent pay rise and increased Higher profits coincided

with signs of a deepening rift between BA and its

USAir seeking to dissolve their alliance, said it was confident "all actions and agreements, including our proposed alliance with American Airlines, are consistent with the law and our obligations to USAir." BA appears willing to

renegotiate its deal to allow USAir a larger share of the revenues. But Mr Stephen Wolf, the former United Airlines chief appointed chairfinancial officer, said seat man and chief executive of USAir in January, is taking a tough line, USAir is alleging breach of contract and anti-trust violation by BA and its would-be new partner, American Atrines.

Although BA bas a 24.6 per cent stake in USAir and has two directors on the American code-sharing part- board, analysts believe it er, USAir. may prove impossible to Yesterday, BA, which rebuild relations.

By David Blackwell

cash acquisition of Westminster Press, the regional newspaper group.

Pearson, the information,

publishing and entertain of Newsquest, said: "We annual sales mant group that owns the think we paid a fair price — £280m and a financial Times, put the I'm not suggesting we ran than £500m. company up for sale on June away with a bargain." Earlier the

end of last year, and Pearson minster Press had operating Newsquest, owner of 120 UK estimates that the sale will profits of \$18.2m (\$4.2m) in regional newspapers, yester yield a profit of about £238m.
day effectively doubled in Newsquest is backed size with the £305m (\$478m) jointly by Kohlberg Kravis Newsquest is backed The selling price represents jointly by Kohlberg Kravis a prospective exit multiple of Roberts, the US investment about 14 times, or just above firm, and CinVen, the UK venture capital group. Mr Jim Brown, chief executive

choose someone with multi-

disciplinary experience,"

that it may be less daunting

for Mr Lynton to take over

Peter Mayer, than it would

be for a career publisher.

Since Mr Mayer took charge

of the lossmaking Penguin

in 1978, reputedly with the

transformed its financial for-

tunes and turned himself

He first hit the headlines

for allegedly sullying Pen-

into a publishing legend.

Gordon.

bined businesses would have

Pearson's interim results backed Newsquest in its pointing out that KKR's

were valued at £56.4m at the yesterday showed that Westthe six months to June 30. about 14 times, or just above the market average. Newsquest said the com-

> annual sales of more than £280m and assets of more

£205m management buy-out average investment was for of local newspapers from seven years. Reed Elsevier. Yesterday the Mr Brown dismissed any US group was joined for the the first time by CinVen, which had previously been seen as a front-runner to buy

Westminster Press outright Mr Alexander Navab, of KKR, said that a lot of value had been created within Newsquest already. He dismissed suggestions of a flo-Earlier this year KKR tation in a couple of years,

suggestion the regional newspaper business was in decline as "a oonsense". People had said radio would kill papers, then television, and

The deal is not expected to be concluded until the end of this year, as it is subject to consent by the Monopolies and Mergers Commission.

# Hollywood head for Penguin

1 features in the choice of Mr Michael Lynton's 'opportunity of a lifetime' as chairman and chief executive of Penguin. Netherlands and the US.

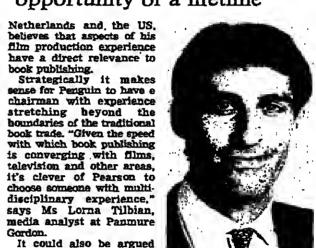
One is his age. At 36, he will be the youngest head of one of the world's largest book publishing groups. The second factor is that he is joining Penguin from e Hol-lywood movie studio, rather

than another book publisher. Mr Lynton, who orchestrated such box office hits as The Rock and Dangerous Minds as president of Hollywood Pictures, one of Walt Disney's film production subsidiaries, seems sanguine on both fronts. Tve always admired Penguin as a company," he says. "It seemed to be the opportunity of a lifetime - my dream job."

For Pearson, Mr Lynton's youth forms part of an ongoing policy of rejuvenating its senior management. As Lord from his predecessor, Mr Blakenham, chairman, pointed out yesterday, all but one of the group's operating companies are now run by chief executives.

walt Dispey, where he ran its book and magazine publishing division and magazine publishing divisio lishing division before moving to Hollywood Pictures, also fits into Pearson's strategy of diversifying beyond newspaper and book publishing into other media. . In practical terms Mr Lyn-

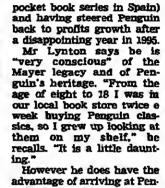
guin's reputation by publishing The Far Paulions with a ton, who was born in the amoochy kiss on the cover UK, but brought up in the and by rushing out paper-



Michael Lynton: just a little

damnted by the move

back versions of five of the six books on the Booker Prize shortlist weeks before the awards ceremony. Mr Mayer, now 60, is retiring from Penguin to run a family publishing firm with the coup of selling 24m copies of the 60p Penguin 60 series (an idea he hatched to mark the company's 60th anniversary after spotting a 100 peseta they did at Disney."



advantage of arriving at Penguin from Disney, a company with an equally strong. if very different corporate culture. Mr Lynton says it is "too soon" to discuss his plans for Penguin, but be does feel there may be scope to develop the brand as Disney has done under the chairmanship of his old boss. Mr Michael Eisner,

"When Michael Eisner and Frank Wells (former president) came to Disney they were cognisant of what the name meant in American culture and had a deep understanding of it," he says. "Penguin is the only international brand in book publishing. It may be possible to develop a brand like that in unexpected ways, as

#### Mindscape loss hits Pearson

Pearson announced a sharp fall in first-half profits, as provisions and operating losses incurred at its Mindscape multimedla subsidiary dented an otherwise robust performance by the informa-tion, publishing and infor-mation group, writes Tim

The company, which owns the Financial Times, said it had been hit by losses and restructuring charges of

£38.8m at Mindscape. That pushed pre-tax profits down from £50.5m to £30.2m (\$47m) in the six months to June 30. Sales, however, rose from £780.9m

Lord Blakenbam, chairman, said: "Our progress is obscured by the Mindscape losses, but management action there is well under way and does not distract us from the important task of driving Pearson forward."

The sharpest improvement was recorded by the information division where profits rose by 45 per cent from £37.6m to £54.4m.

The education division. reported increased operating losses of £22.4m (£15.9m). while there were losses of £6m (£38,1m profits) in the entertainment division.

# either company to book passengers on to each other's aircraft, through operating aircraft on the same routes, the Virgin taking a 27 per placing for £15m

and exploration ventures in the Philippines, writes Ken-

move is some mouths away. The talks are not a prelude to a series of deals with smaller airlines by Virgin, which has its principal codesharing alliances with Delta of the US and Malaysian

London Fiduciary Trust, the gold production from three Aim-listed company chaired by former England cricketer. Mr Phil Edmonds, bas raised a further £15.5m (\$24.2m) through an institutional placing to fund its gold mining.

neth Gooding. Mr Fred Mason, former operations chief at Freeport Indonesia'e Grasberg coppergold mine who appointed chief executive at yesterday annual meeting, said the funds should enable

the company to increase

**Need facts and** 

mines in the Philippines to: 155,000 troy ounces next year against 8,000 last year. The programme involves total expenditure of \$37m.

The company recently said its proven and probable gold reserves had jumped from 870,000 ounces a year ago to 4.9m ounces in a portfolio put together by Mr Frank Lubbock, an Australian mining engineer who is the biggest shareholder. His stake falls from 18 to 14 per cent. The company's name is changing to Philippine Gold.

F \$102,7247



August 1996 - Waiting for Leica

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(Alfred Eisenstaedt)

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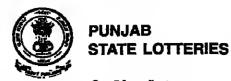
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#### The Government of Punjab, Republic of India Department of Lotteries



Agency to run On-Line Lottery

The Department of Lotteries, Government of Punjah, India invites bidders to participate in a competitive bidding process for selection as an exclusive Agent of the Government of Punjab for running an On-Line Lottery throughout india.

- The Agency will be granted for a period of five
- Highlights of the pre-qualification conditions are given below:
- the bidder should have minimum three years of relevant experience in on-line lotteries or gaming: \* the bidding consortium should have a minimum networth of Rs.500 million and a minimum gross
- turnover from operations of Rs.2000 million: \* the company with the revelant experience must have atleast 26% shareholding in the

Tender Documents will be available at the addresses given below on receipt of a letter of interest accompanied with a bank draft of Rs. 10,000, drawn in favour of "The Director - Punjah State Lotteries" payable at Chandigarh. Last date of receipt of request for the tender document is August 27, 1996.

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Chief: International, ICICI Securities and Finance Company Limited, 41/44. Minoo Desai Marg. Colaha, Mumbai- 400 005, Tei: (9)-22) 288 2460

d per \$100,000 will be \$3,758.22

pepable on 3 February 1997 against presentation of the relevant Note.

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#### COMPANIES AND FINANCE: UK

# Midland to expand First Direct

By George Graham,

Midland Bank has given the go-ahead for further expansion of its First Direct tele-phone banking subsidiary to keep pace with a flood of

Mr Keith Whitson, Mid-First Direct's two current telephone centres would probably cope until the midexpansion should enable it est in the UK banking section 2.86 per cent to 2.57 per to keep pace with more than tor, operating expenses cent. Sir William Purves,

month for another year. First Direct's growth, coupled with tight cost control in the main UK banking

operations, helped Midland to a 24 per cent increase in pre-tax profits to £651m (\$1.02bn) for the six months to June 30.

After several years in which spending on new computer systems and branch refurbishment kept Midland's costs among the high-

10,000 new customers a dropped to £1.13bn. The bank's cost to income ratio fell from 68 to 62.8 per cent. Midland is the principal UK division of the HSBC

international banking group. It contributed almost 30 per cent of group profits, which climbed to £2.32bn before tax, up 34 per cent. Midland increased its mar-

ket share in the UK and lifted net interest income by 4.5 per cent to £984m desp)te a drop in net interest margin

HSBC's chairman, said about 10 basis points of the drop in interest margin was attributable to the start-up of the UK's new gift repurchase

In addition, fierco competition in the UK mortgage market depressed margins. though the pressure now showed some signs of easing.

HSBC Midland, incorporating the group's treasury operations in London, New York and Tokyo, increased operating profits by 72 per cent to £79m, with interest rate derivatives boosting dealing profits.

HSBC Investment Bank. ing, which since April 1 has combined the James Capel equities business with the Samuel Montagu investment bank, increased pre-tax profits by 71 per cent to £174m. buoyed by the sale of most of the group's stake in Kny Hian James Capel, a leading Singapore stockbroker.

Sir William said HSBC had no plans to nequire a UK life assurer or US investment

costs peg

London Pacific Group, the

investment management

company formerly known as

reported profits still held

back by the costs of its legal

battle with one of the funds

it managed, writes Nicholas

Profits before tax at the

group, which consists mainly of US businesses, but

is listed in the UK. fell 4 per

cent to \$13.8m in the six

months to June. The drop

was attributed to an excep-

tional item of \$4.4m of legal

Last year Americao

London

**Pacific** 

Legal

# Filtronic hit by US delays

By Patrick Harverson

Filtronic Comtek, the warned yesterday that profits this year would fail to meet analysts' expectations as a result of US companies delaying expected orders for its equipment

The shares, floated in October 1994 at 105p, fell 49p to 196p.

The company, which makes worldwide mobile telecommunications market, yesterday reported a slight fall in annual pre-tax profits from £3.28m to £3.25m (\$5.07m).

Filtronic warned in March that its profits would be hit by delays in US orders caused by systems manufacturers experiencing technical trouble developing code division multiple access (CDMA) systems, a US version of dig-

Yesterday, it said the delays were proving longer while development spending biggest customers - AT&T

6 miles to Mar 31

Yr to Mer 31 22.4 6 mths to June 30 133.5 Yr to Feb 2 106.5

RESULTS



than management had on the CDMA programme and Motorola – had recently expected. "Earlier this year had continued to climb, US we thought the delay would sales failed to meet expectation." be three to six months, but it's turned out to be nine to 12 months, said Professor David Rhodes, chairman. The delays meant that

(18.7 ) 0.4571\$\rightarrow\$ (0.64L ) (38.8 ) 3.1 (7.57 ) (1,904 ) 150 (135 ) (25.7 ) 3.25 (3.28 ) (-) 2.321 (1,737 ) (9.37\frac{1}{2}) 0.416 (1.82 ) (9.16 ) 2.84 (2.95 ) (780.9 ) 30.2\$\rightarrow\$ (50.5\$\rightarrow\$) (21.2\to\$) 16 (14.4 ) (55.4 ) 117.5 (29.5 )

(780.5), (21.20) 16 (55.4) 117.5L (104.8) 4.88L♥

Rhodes expressed confidence about the outlook for CDMA. noting that two of Filtronic's

Earnings shown basic, Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. Value exceptional credit. 10n increased capital. \$Total charge income, Civid income.

Professor

Despite the setback over CDMA, total sales climbed 30 per cent to £33.4m last year. driven by growth in Europe,

Co - as London Pacific was then called - of racketeering and other offences. It filed suit for \$67m in damages, first in the US and then in Jersey, London Pacific countered with a claim for \$446m. It contended that American Endeavonr derailed its planned acquisition of Duff & Phelps, the US investment management

company. In 1995, London Pacific spent \$9.2m on litigation. The first half of 1996 brings that total to \$13.6m, making it one of the most expensive legal disputes in the fund management industry. London Pacific said it expected the current rate of expend)ture to continue.

# HSBC Holdings plc



# 1996 Interim Results

Half year to	30 June 1996	30 June 1995
Profit before tax	£2,321m	£1,737m
Profit attributable to shareholders	£1,586m	£1,203m
Earnings per share	60.14p	46.11p
Dividends per share	15.00p	9.25p
Capital resources	£23,403m	£19,464m

First balf 1996 over first half 1995:

- Pre-tax profit up 34% and attributable profit
- Pre-tax profit up 28% and attributable profit up 27% in Hong Kong dollars
- Earnings per share up 30%
- Dividends per share up 62%
- Total capital ratio 15.3% and tier 1 capital ratio 9.8%

Comment by Sir William Purves, **HSBC Group Chairman** 

CC Our results for the first half of 1996 were good. A number of features were particularly satisfying. In Midland Bank, operating expenses declined. First Direct continued to make good progress, adding 88,000 customers and steadily growing its profitability. Our global custody business won significant new accounts. In Hong Kong, action taken in the last eighteen months to strengthen and expand our treasury centre has generated stronger foreign exchange earnings. Hang Seng Bank continued to expand the proportion of its balance sheet taken up by advances to customers. Our other businesses in the rest of the Asia-Pacific region also performed well.

The Board has declared a first interim dividend of 15 pence per share, an increase of 62 per cent compared with 9.25 pence declared at this stage in 1995. This increased interim dividend reflects both the Group's improved results and the desire to increase the proportion of the annual distribution paid out at the

The Board also plans to accelerate the distribution of dividends following the year-end by paying a second interim dividend in respect of 1996 in lieu of a final dividend. This dividend will be declared with the yearend results in early March for payment in early May.

Our markets remain highly competitive and are undergoing structural change. With strong capital and liquidity and with a loyal and dedicated workforce, we look forward to the challenges and opportunities that lie ahead. 39

The 1996 Interior Report will be sent to sharebolders on Friday, 16 August 1996 and copies may be obtained from Group Public Affairs at the address below

Incorporated in England with limited liability red Office and Group Head Office: 10 Lower Thames Street, London EC3R 6AE, United Kined

# INTERIM RESULTS

"The transformation of Pearson into a media group with powerful international businesses continues."

			1995
Half year	Half year	% change	Full year
£940m	£781m	+20%	£1,830m
£49m	£71m	-31%	£260m
£30m	£50m	-40%	£365m
2.8p	8.5p	-67%	47.1p
4.Óp	7.8p	-49%	28.8p
6.9 <sub>p</sub>	6.325p	+9%	16.5p
	£940m £49m £30m 2.8p	£940m £781m £49m £71m £30m £50m 2.8p 8.5p 4.0p 7.8p	£940m £781m +20%  £49m £71m -31%  £30m £50m -40%  2.8p 8.5p -67%  4.0p 7.8p -49%



The International Media Group

INFORMATION - EDUCATION - ENTERTAINMENT

To view the full Interim Results and other information about Pearson visit our new Internet Web Site:

http:/www.pearson-pic.com.



developers are adding a plethora of Bernard Simon entertainment facilities. So it comes as no surprise that the new senior vice-president at

Sam, who has served the maxi-The Hahn Company, one of the mum term as chairman, is stepping down and will be replaced by US's biggest regional shopping Victor Liew Cheng San. Liew graduated in 1972 and, after mall developers, is David Malmuth, formerly vice-president at working for an American bank in Walt Disney's development arm. Singapore, joined Overseas Union

blg chunk of their leisure time in

Hahn, which manages 38 shop-Bank as head of Treasury in 1980. ping centres with 33m sq ft of retail space, is wholly owned by Trizec, the Toronto-based devel-He has been a director of Simex for the past five years and is chairman of the exchange's clearing house oper controlled by Peter Munk, the Canadian entrepreneur. Sam started her career with the

Malmuth, 41, joined Disney in 1988. His projects have included the renovation of New York's New Amsterdam theatre, one of the grandest around Times Square, which itself is in the throes of an elaborate facelift. Hahn reckons its Hortoo Plaza

mall in San Diego is the shape of things to come. The mall claims to be the city's third higgest tourist attraction. Arnold Schwarzenegger was on hand last year for the opening of a 13,000 sq ft Planet Holly-

displays replicas of three F-14 jets piloted by Bugs Bunny. Tweety shopping malls. In an effort to and the Tasmanian Devil. Malkeep them there even longer, mall muth should feel at home.

#### Quinn heads bank

Lochlann Quinn. hrother of Ruairi Quinn, the Irish Republic's finance mioister, is to become nonexecutive chairman of Allied Irisb Banks, the country's largest bank. Quinn, 54, sncceeds Jim Culliton, who is retiring for personal reasons after just one term.

The appointment, which was unanimously approved by the board, took many bankers by surprise. Quinn has been a director for only 14 months, having joined the board as a non-executive director in May 1995.

Apart from a stint on the board of the National Museum, he has none of the high-profile public service experience of Culliton or the previous incumbent, Peter Sutherland, the former EU commissioner and head of the World Trade Organisation.

His three-year term at the head of AIB will cover the critical period of South Africa's nascent profes-

duction of a single European currency, when Dublin's financial services sector is expected to undergo a big adjustment as its foreign exchange business is cut and institutions try to absorb the one-off costs of conversion to the Euro.

Quinn is former partner with Arthur Anderson, the local branch of the US accountants. He owns 26 per cent of Glen Dimplex, a successful consumer electronics company, and also bas botel and restaurant interests.

Those include a stake in Patrick Guilbaud's, Dublin's foremost restaurant, which received its second Michelin star this year - just io time to lure the European hureaucrats who will be hilletted in Ireland during the country's sixmonth presidency of the European Union. John Murray Brown

#### SA soccer top job

Trevor Phillips, who resigned in May as commercial director of the English Football Association after a row over ticket sales for the Euro 96 championships, has landed a new job on the wild frontier of corporate soccer, as chief executive

Phillips, 54, moved to the FA in 1992 from the Football League. His hard-nosed style - a stark contrast

sional football premier league.

to thal of the British football administration old guard - could he just the ticket for the 18member South African league, which has been beset hy controversy in the hulld-up to its launch next month.

Earlier this year, the South African sports minister launched a judicial inquiry into the husmess dealings of the South African Football Association and the old-format National Soccer League. Last month, the league's former public relations officer. Abdul Bhamiee was released from prison on parole, after serving less than half of a 14-year sentence for his part in a multi-million-rand fraud.

Phillips, who is on an initial one year contract, has been charged with building the league's sponsorship, televisioo and merchandising business, A R60m (\$13.4m) sponsor ship deal with the South African Broadcasting Corporation 10 screen at least two matches a week is in place, but no fixture list has heen arranged. The new season kicks off on August 9. Mark Ashurst

#### ON THE MOVE

before it collapsed.

committee.

■ Louis Gallois, chairman of French state aircraft manufacturer Aerospatiale. has been appointed head of the SNCF state railway

deputy chairman. Peter John

Sam hands on

Simex, the Singapore futures

exchange which was thrust into an

unwelcome spotlight over the Bar-

ings bank crisis, is shuffling its

senior board members. Elizabeth

ministry of finance in 1962 and in

1971 was transferred to the Monetary Authority of Singapore, where

she rose to chief manager. She was also a main board director of Mer-

cantile House, which was taken over by British & Commonwealth

She has been a director of Simex

strice it was set up in 1984 and has

served two three-year terms as

chairman. She will continue as

Simex chair

company. ■ Olivier Vincent has been named by GTE DIRECTORIES of the US to the new position of vice-president/general manager, Europe, based in Brussels, where GTE publishes directories in partnership with Belgacom through their joint-venture company. BDS. GTE is one of the largest publicly beld telecommunications companies in the world.

■ Daniel Canel joins UBS SECURITIES as senior managing director and head of North American and European emerging fixed income market sales. trading, research. origination and syndicate. He was previously co-head of global emerging markets at

appointed executive . vice-president of NEWMONT MINING CORPORATION and Newmont Gold Company. John Dow becomes senior

Chase Manhattan Bank.

Wayne Murdy has been

■ Michael Dawe becomes vice-president, sales and distribution of EQUITABLE LIFE INSURANCE COMPANY of CANADA.

Yotaro Wakayama becomes a director of Perusahaan Sadur Timah Malaysia (PERSTIMA); he replaces Tadastsu Kohara. who resigned on June 21. ■ Douglas Woods has resigned as president and chief operating officer of WICKES LUMBER of the US Steven Wilson, chairman and chief executive, has reassumed the duties of

Albin Moschner has resigned as president and chief executive of ZENTTH ELECTRONICS. Peter Willmott, a member of Zenith's board for the past six years, takes over as interim president and chief executive.

Klaus Bechmann has

resigned as chairman of BRANDKASSE, the German savings-insurance group, with effect from Octobe ■ Manfred Ahlsdorff, 61, has resigned as management board chairman of GESTRA, the industrial fittings manufacturer now 90 per cent controlled by Siebe of the UK.

■ Marcial Portela Alvarez

executive of TELEFONICA DE ESPANA's unit Telefonica Internacional, replaing Ignacio Santillana. Portela is a former geoeral director of Argentaria. Santillana becomes head of Telefonica's international communications

department. ■ AMERICA WEST AIRLINES has appointed Kevin Short as vice-president, revenue

management, Thomas Flournoy joins the executive management committee of NEW YORK LIFE INSURANCE.

Racbel King succeeds James Barratt as chief executive of GENETIC THERAPY, a wholly owned subsidiary of Sandoz, on August 31. King is now vice-president of product

planning. Four staff vice-presidents have been appointed at TIMES MIRROR: Debra Domeyer, Stanley Foutz. Martha Goldstein, and Jean

Jarvis. Paul Gerbecks, 48, joins the executive board of DEUTSCHE BORSE, He will take charge of the information technology division.

■ Graeme McGregor joins Pier Carlo Falotti, the board of BROKEN HILL

from August 20.

Christine Morin-Postel, 49, chairman and chief executive of Credisuez, joins the board of RANK ORGANISATION of the UK.

as a non-executive director. Yuji Wada has resigned as executive director of MARUICHI MALAYSIA STEEL TUBE, He will be replaced by Yoshihisa Morikawa.

■ Tan Beng Lee has been appointed chief executive of GREAT EASTERN LIFE ASSURANCE. He replaces former managing director A

J. Pathmarajah, who resigned in January. ■ Malcolm Sherman bas been appointed pop-executive chairman of the board of ECKO Group,

manufacturer and marketer of branded bousewares products. ■ Norm Fussell retires as chairman and director of HIGHLANDS GOLD of

Australia. William Hodgson will act as chairman for the time being. ■ Daniel Mudd has been appointed by GE CAPITAL

SERVICES as president of GE Capital Services Asia-Pacific, based in Hong

executive vice-president for

AT&T, is resigning from September 1. John Petrillo, 47, executive vice-president for strategy and service innovation, will assume responsibility for international operations.

■ Paul Hofer, former bead of Credit Suisse in London, bas been appointed management board chairman of CREDIT SUISSE (Deutschland). wbere Bertil Rydevik has ioined the management board and Friedrich Kenn has stepped down as a management board menuber. Fritz Kall, 44, bas been appointed finance director of DEUTSCHE BABCOCK. ■ Microsoft has promoted

seven product group leaders to vice-president. They are: Robble Bach, marketing, desktop applications; Lewis Levin, desktop finance: Rick Thompson, input services group; Brad Chase, developer relations and marketing, Internet platform

and tools; Moshe Dunie, engineering general management, desktop business and systems; Rich Tong, marketing and training, desktop and business systems; and David Vaskevitch, database and transaction products, desktop and business

systems.

Harold In

LAROCHE INDUSTRIES as chief financial officer. ■ William Hodder is retiring as chairman and chief executive of DONALDSON COMPANY after 27 years. William Van Dyke takes over as chalrman, president and chief executive. John King becomes managing director of ALLIANCE GAS, the UK gas marketing subsidiary of Statoil, the Norwegiau state-owned oil and gas company. Alliance, which began trading last week, has taken over the customer base, assets and staff of a previous company of the same name that was jointly owned by Statoil, BP and Norsk Hydro, King was formerly with Statoll's US operations; the rest of the management team has been inherited from the old Alliance Gas.

#### International appointments

Please fax information on new appointments and retirements to 44 171 873 3926, marked for International People. Set fax to 'fine'.

ed by own 2009 in two years. For some this is vital But the chacter me you won't need information on No FT PROTECT lets you someth under all sorts of headings, from some moject in a militar of minutes.

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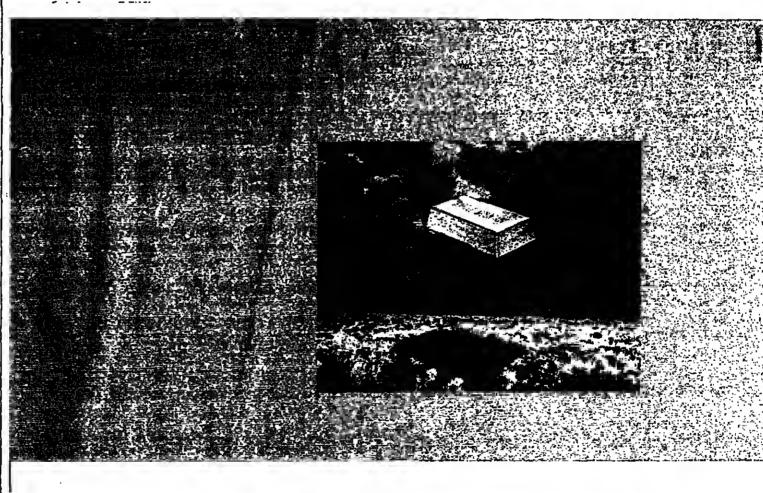


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#### INTERNATIONAL CAPITAL MARKETS

# More buoyant sentiment lifts hopes

and Conner Middelmann

Although markets performed arratically yesterday, ana lysts agreed that a shift to a more bullish overall mood had taken place.

"There has been a shift in sentimeot," said Mr Kirit Shah, chief market strategist at Sanwa International. "Market participants now aeem convinced there will not be a rate hike [by the US Federal Reserve] this month." The Fed's open market committee will hold its

next meeting on August 20. The US long bond was trading at 901 in early afternoon in New York, down 🔩 to yield 6.754 per cent. In Cbicago, the September T-Bond future was also 🚊 lower at 1111. "Trading has shifted to a yield range of 6% bunds will disappear before have a pop at the franc," to 7 per cent [on the 30-year the year-end," he said. The said one trader.

bond], from the previous spread stood at 35 basis range of 6% to 7% per cent." said Mr Shah.

Mr Tom Pelc, senior technical analyst at MMS International, believes the bull market is likely to persist until the end of the year. "The yield on the long bond will remain below 7 per cent and gradually ease towards 6% per cent in the next cou-

#### GOVERNMENT **BONDS**

ple of months," he predicted. Mr Pelc also expects bunds and several European markets to reach new contract highs soon, but he is confident US Treasuries will per-

form strongest. "The yield spread between 10-year Treasuries and bunds will disappear before

lier. Mr Shab, however. is less bullisb and expects yields to end the year higher. "Signs of stronger economic activity later in the year will lead to a correction in the market." be said.

French bonds bad a more active dsy, with both the long and the short end of the 0.08. yield curve coming under Tr pressure from weakness in the French franc.

The short end suffered the worst declines, with the Sep-tember Pibor future falling by 0.10 point to 96.03 on fears that the weaker currency might lead to a rise in money-market rates. "With volumes so thin, quite a few speculators would like to

Matif's September notional points yesterday, down from future also fell 0.10 point to 62 basis points one week ear 123.64. France's 10-year bond spread to Germany widened to 2 basis points from an even level on Friday.

> ■ German bonds had a lacklustre session, with the bund future on Liffe stuck in a 14-tick range between 97.66 and 97.80 all day. The contract closed at 97.71, down

Traders were awaiting today's release of unemployment numbers, which usually rise markedly in July. However, some dealers were calling for a net fall in the jobless number after the seasonal adjustment. They said the data could trigger a round of profit-taking after last week's steep gains.

■ UK gilts were cheered by

helped gilts' 10-year spread over bunds narrow by 2 basis points to 165 and spurred some curve-lengthening trades. Sterling's strength lent additional sup-

port to the market. The long gilt future on Liffe ended at 108, up A.

■ Italian bonds resumed their rise, although at a more moderate pace than last week. Liffe's September BTP future settled at 117.11, up 0.11. In the cash market, the 10-year yield spread over bands stood at 309 basis

Ms Yasmine Ravai of Crèdit Lyonnais Asset Man-agement believes the convergence process "is temporar-ily on hold" and predicts that the spread tightening "will resume before the end lower-than-expected indus- of the summer".

#### upward trend for high-yielders By Conner Middelmann

July ends

Global government bond markets underwent a marked trend reversal last month, with the core European markets performing more strongly than their high-yielding counterparts, according to J.P. Morgan's monthly bond index monitor for July.

Germany was one of the strongest performers in July, producing a 4.52 per cent return in US dollar terms and 1.13 per cent in local currency terms. French bonds returned 4.19 per cent in dollars, or 1.14 per cent in French francs. Denmark, the Netherlands and Belginm also followed Germany's lead.

The European high-yielders' five-month run as tha top performers in the Global tors took profits in volatile trading, selling Italian, Spanish and Swedish bonds as weakening fundamentals made further rate cnts in these countries less

Italy was also dogged hy political nervousness and currency weakness in July, while Spain's market was rattled by the discovery of a large sbortfall in the

In local currency terms, Italian and Spanish government bonds produced a return of 0.33 per cent in July while Sweden yielded a negative 0.13 per cent

On a local-currency basis, the Japanese market was the month's worst performer, recording a negative return of 0.28 per cent.

Meanwhile, J. P. Morgan said it would incorporate Finnish government bonds in its Global Bond Index

starting July 31.

# LCH provides crisis cover for derivatives

By Peter John

Members of the London Clearing House, which settles business traded at London's derivatives exchanges, will provide £150m to counter any Barings-stylo

The fund is part of a sliding scale of disaster protection that kicks in if a party trading through the exchange defaults on its obligations

It is part of proposals outlined by bankers transferring the century-old clearing bouse from its current owners - Barclays, Lloyds, Midland, NatWest, Royal Bank of Scotland and Standard Chartered - to the 174 members and five exchanges which operate through lt. Further down the scale is

provision for £100m of insurance cover. LCH started life in 1888 as a clearing house for coffee and cocoa. Mr David Hardy.

the chief executive, said tbere bad been three defaults since the six banks took ownership in 1982. They were Drexel Burnham Lambert, Woodhouse Drake and Carey (commodities) and Barings.

However, be stressed that, with all three, LCH bad needed to tap only the first level of protection, a call on the defaulting member's margin.

"In each case, the amount of money deposited to us was enough to cover and we could close out the book," said Mr Hardy.

"The insurance is new. It is designed so that we can make any decisions regarding replenishment in cool, calm waters rather than the choppy seas after default,"

the LCH clears and settles business are the London Metal Exchange, Liffe, tho International Petroleum Exchange the London Coppar Exchange and Tradepoint, and the electronic share trading system.

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Each of the existing shareholder banks are also members of the clearing house and will be invited to sub-

scribe in that capacity. Sharing ownership between the members and the exchanges is believed to be unique and is designed to put control of policy in the hands of those who use it as well as to cut costs by up to £10m a year. N. M. Rothschild, which is

advising on the transfer, has outlined several savings which can be made after members have bought their share for between £215,000 and £470,000 (depending on the number of subscribers), and bave paid into the

default fund. As dividends to third party owners will disappear, any surplus at the end of the

year will be returned to members.

• interest will be paid on all margins, ending a tradi-

tion of having an initlal interest-free tranche. Annual membership fees will be abolished.

Also, with memories of Lloyd's still dlaturblingly fresh, the LCH has stressed that membership will be on a limited-liability basis. In the event of a second Sumitomo-inspired copper price plunge, a member's liability will be restricted to the con-

tribution made to the

defaults fund. If more cash is required, a member could resign and clear its business through The exchanges for which another firm,

7.90 8.10 8.17

Aug 5 Aug 2 Yr, ago Aug 5 Aug 2 Yr, ago Aug 5 Aug 2 Yr, ago

7.75 8.14 8.17

# Azores FRN issue proves highlight of quiet day

**US DOLLARS** 

Banca di Roma(Lo

Rheinhyp Finance

SWISS FRANCS

D-MARKS

Auto region of the Azorest

LUXEMBOURG FRANCS

New international bond issues

By Antonia Sharpe

A more positive tone in world bond markets and signs that investors want to extend the duration of their holdings raised hopes in the eurobond market vesterday that August would produce at least one large 10-year dollar offering from a triple-A rated borrower.

#### INTERNATIONAL **BONDS**

Syndicate managers said demand was increasing for longer-dated paper oot only in dollars but in D-Marka since investors are unlikely to see any new benchmark bunds before the end of the

Several prestigious names, such as the World Bank, Canada and Germany's KfW, were meotioned yesterday as plus 18 basis points, and the sive but reported a good possible issuers of 10-year

WORLD BOND PRICES

**BENCHMARK GOVERNMENT BONDS** 

Coupon Date

There was also speculation raise dollars through a fiveyear transaction, although syndicate managers said this deal was more likely to be

September's business. Among yesterday's meagre offerings, perhaps the most interesting was the debut transaction from Portugal's autonomous region of the Azores which raised \$65m through a 10-year floating-

Bookrunner CSFB said the notes, which carry a 20 per cent risk weighting, were snapped up by European banks bungry for bigbquality, Libor-plus assets. in recent months it has become hard to find bonds issued by European Union borrowers which offer a decent margin

over Libor. the Azores notes was Libor that the notes were expeodemand pushed up their dollar-denominated paper. price from 99.78 at issue to banks. The margin to the

02/06 112,5910 +0.570 8.08 98,7900 +0.080 6.32 05/06 102,5700 -0.030 8.63 12/06 0.0000 -0.000 7.26 03/01 101,6000 -0.040 5.40 04/06 106,8600 -0.040 8.31 04/06 89,6800 -0.080 6.29 08/06 0.0000 -0.000 6.29 08/06 0.0000 -0.000 9.15t

03/06 104,9400 -0.060 7.26 (33/01 101,6000 -0.040 5.40 (406) 106,8600 -0.140 8.31 (406) 6.20 (406)

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86.9597 103-18 98-01 108-17 103-13

that Spain was looking to

rate note (FRN).

The discounted margin on

noon. CSFB said the notes were rated A2, one notcb below the sovereign. Banks were also the main

buyers of Banca di Roma's

DM250m five-year FRN which is likely to be called in the fourth year, Lead manager BNP acknowledged response from continental

Italy

99.85-99.95 in the late after- four-year call is 15 basis as a "senior secured transac points over Libor, but syndihave been 3 to 4 basis points

PUTS

PUTS

0.58

29185 63738 309 4007

Dec

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1.04 1.23

the Argentine province of Lead manager Lehman

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

- CALLS

M NOTIONAL ITALIAN GOVT, BOND (BYP) FUTURES

- CALLS

(LIFFE) Lira 200m 100ths of 100%

8.00 5.75 5.625

itisation trend in Latin America continued with a The six year bonds, which \$150m issue of collateralised crude oil royalty notes from

tion" because bondholders cate managers said it should bad first claim on the oll production royalties paid by international and Argentine Elsewhere, the asset securoil companies which operate concessions in the province.

have an average life of three years, were priced on Friday to yield 403 basis points over Treasuries. Issued at par, the bonds were quoted yesterday Brothers described the deal at par % to par %.

T-ACTUARIES	FIXED	INTEREST	INDICES

	_						
T-ACTUARIES	FIXE	D INTER	EST	INDICES			
rice indices	Mon	Day's	FH	Accrued	xd adj.		
IK GENES	Aug 5	change %	Aug 2	Interest	ytd		-
Un to S weeks (22)	122.49	0.11	122.36	2.68	5.55	5 vm	

years (22)	122,49	0,11	122.36	2.68	5.55	5 yrs	7.18	7,19	7.73	7,22	7,25	
M.S. (50)	148.12	0.12	147,94	2.69	5.39	15 yrs	8.02	8.03	8.11	8.02	8.03	
years (8)	162.61	0.19	162,30	2.97	7.40	20 yrs	8.12	8.14	8.14	8.11	8.12	
ables (6)	185.08	0.45	184.26	2.65	7.36	Irred.†	8.20	B.23	8.22			
cs (56)	143.06	0.13	142,87	2,79	6.30							
- (,								notethn	5%		šet	4

All stocks (56)	143.06	0.13	142,87	2,79	6.30								
dex-Intend								Aug 2	Yr. ago	Aug 5		Yr. ago	
Up to 5 years (1)	199.29	0.06	199,17	2,47	4.43	Up to 5 yrs	2.53	2,55	3,28	0.97	0.99	1.60	
Over 5 years (71)	189.21	0.22	188,76	1.34	2.79	Over 5 yrs	3.72	3.74	3.59	3.52	3.53	3.40	
All Stocks (12)	189.31	0.22 · ·	-188.90	1.36	2.81								

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FIXED	INTER	EST	INDI	CES					GILT EDGED A	CHAIL	LINDIC	ES		
	Aug 5	Aug 2	Aug 1	Jul 31	Jul 30	Yr ago	High*	Low		Aug 2	Aug 1	Jul 31	Jul 30	Jul 29
Secs. (UK	93.35	63.33	93.07	82.77	92.74	63.55	96.34	91.59	CHI Edged bergeins	94.3	79.6	84.2	84.1	67.8
Interest	113.18	113.02	112.89	112.82	112.82	112.00	115.23	110.74	5-day average	82.0	77.4	81,0	80.0	82.3
996. Govern									175). Florid Interest high since	complitation;	133.87 (21/01	1/94), low 50.	53 (00/01/75)	. Basic TO

Prices: U.S., UK in 32nds	an decimal	Source: MM2 Intern	abonal	NO16	ONAL SPAI	AISH BON	D		
US INTERES	TR	ATES				Sep	Open 101.46	Sett price 101,57	, (
alterit rivier rate	84	One month	Bills :	and Bond Yields Two year Three year	5.83 6.07 6.27	UK II NOTE	ONAL UK G	ALT FUTU	IRI
	538	Str month	5.31 5.59	10-year 30-year	6.52 6.75	Sep Dec	Open 107-25 106-31 GILT FUT	Sett price 108-00 107-06 URES OP1	
BOND FUTUI	RES	AND OPTION	ıs			Strike Price	Sep	Oct CA	N

BOND	<b>FUTURES</b>	AND	OPTIONS

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.76	123.64	-0.10	123.92	123.62	51,815	186,879
Dec	122.42	122.28	-0.10	122.64	122.28	4,681	33,510
Mar	122.18	122.04	-0.10	122.28	122,18	1,007	3,557
E LON	O TERM FRI	ENCH BON	ID OPTIO	NS (MAT	1F)		_
Strike		CAL	LS			PUTS	
Price	Sep	Oc	t D	ec	Sep	Oct	Dec
120	-	-			-	0.18	0.49
121	2.68		2.	00	0.04	0.32	-
122	1.72	2 0.90	5		0.08	-	1.06
123	0.87	-		-	0.25	-	-
124	0.30	3 -	0.	51	0.66	-	
Feet, word to	stal, Calls 9,701	Pugs 17.510	. Previous d	lev's open	Int., Calls Pi	ag.	

	MAINY MONAL GER	MAN BUNG	FUTURE	35 (UFFE)*	DM250,6	000 100ths	of 100%
Sep Dec	Open 87.76 96.87	Sett pnce 97.71 96.83	-0.03 -0.02	High \$7.80 96.87	Low 97.86 96.80	Est. voi 61279 1368	Open int. 244512 10764
THE.	GHTS	PRICES					

11760		0.42	1.2		0.61		2.30
11800		1.24	1.0		1,13		2.59
	out, Com 57						
Spain M NOTE	I ONAL SPA	NIŠH BON	D FUTUR	ES (MEFF)			
	Open	Sett price	Change	High	Low	Est. vol.	Open int
Sep	101.46	101,57	+0.06	101.58	101,27	30,457	49,474
UK							
	ONAL UK	GIL'T FUTU	RES (LIF	E)" £50,00	0 32nds o	100%	
	Open	Sett price	Change	High	Low	Est. voi	Open int
Sep	107-25			108-03			148467
Dec	106-31		+0-05				758
LONG	GILT FUT	URES OF	TIONS (L	FFE) 250,0	00 64ths o	f 100%	
Strike		CA				PUTS -	
Price	Sep	Oct			ab Oc	-	
106	0-33			-12 0-3			
109	0-12			-52 1-1			
110	0-03			-34 2-0			3-22
Est. vol. t	otal, Colls 21	199 Puts 307	, Previous	day's open	int., Calls 2	6678 Puts 2	21095
Ecu							
ECU I	BOND FUT	URES (MA	TIF) EQU	00,000			
	Open	Sett price	Change	High	Low	Est vol	Open int
Sep	92.24	92,20	-0.04	92.36	92.18	786	8,471
Dec	-	90.46	-0.02	-	-	-	100
us							
	REASURY I	BOND FUT	URES (C	BT) \$100,0	00 32nds	of 100%	
	Open	Latest	Change	High	Low	Est. vol.	Open int.
<b>Зер</b>	111-24	111-24	-0-03			422,559	443,086
Dec	110-07	111-07	-0-03	111~10	111-04	11,930	21.954
Mar		110-20	-0-09		44	764	- 1,007

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (UFFE) Y100m 100ths of 100%

117.11 +0.11 117.30 116.82 118.42 +0.12 116.40 116.40

III (TALIAN GOVT, BOND (BTP) FUTURES OPTIONS (LIFFE) Lin200m 100ths of 100%

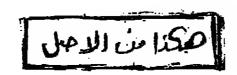
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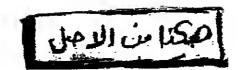
Open 97.76 96.87	Sett 97. 96.		-0.00 -0.00	3 1	High 97,80 96.87	97. 96.		Open : 24451 1076	12	Sep De	C	111	pen 9.21 8.05 Iso trac	Cic	n APT. All Open	115,2 118,0 118,0 Interest	2 1 5 1	16.17 18.04 18.04	110 260 Would d	)B 5	Open n/a n/a	2
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#### **CURRENCIES AND MONEY**

# Iran jitters spook the markets

#### By Gillian Tett,-

The antics of the Swiss franc continued to intrigue the markets yesterday, after rumours about worsening US-Iran relations left traders scurrying towards safe

haven currencies. However, the Swiss currency's rise was capped by growing market suspicions that the Swiss authorities will fight the franc's

Elsewhere, the holiday season left many markets looking lethargic. However, with new German data due today, there is now renewed speculation about the future direction of European inter-

The latest trigger for a Swiss franc rally came from newspaper reports that the US government was considering taking action against Iran because of its suspected

POUND SPOT FORWARD AGAINST THE

These reports pushed the opposition to any further Swiss franc sharply higher against the US dollar in the Far Eastern markets over-

European markets opened these jitters had already abated slightly.

And with the Swiss National Bank indicating that it would supply ample liquidity to money markets. the rally gradually abated during the day.

The currency closed at SFr1.2020 per dollar m London, slightly stronger than its SFr1.2035 close on Friday

Some traders doubt whether this rally can continue much further, given the Swiss National Bank's

-Latest-- Past, close -1,5445 1,5439 1,5438 1,5433

strengthening. As Mr. Peter Luxton of

MMS International says: The Swiss franc strength is However, by the time crucifying the Swiss economy - the Swiss authorities have shown that they are not prepared to see the Swiss franc rise any further."

However, as Mr Kit Juckes of NatWest markets pointed out, there is now a strong desire in the markets to seek out safe havens. There is a tendancy to be

safe haven currencies are in vogue," he says. He adds: "The only prob-lem is that the markets can't find a safe haven corrency anymore whose central bank is prepared to let it be used

in this way."

quite risk adverse right now

One currency that the markets are unlikely to treat head lower again soon. as a safe currency in the coming days, by contrast, is



the D-Mark. The markets spent much of vesterday speculating that economic data due this week would highlight the weak state of the German econ-

This fuelied hopes that German interest rates would These rumours helped drifted down against the dol- the largest fall for over three lar during the day, closing at years.
DML4818 in London, compared with the previous

close of DM1.4779. Meanwhile, the French franc also weakened slightly against the D-Mark.
It closed at closed at FFr3.4 per D-Mark, down from the previous day's close

of FFY8.397. Although the move was small, it was striking given the stability between the two currencies in recent months - a stability which has been fuelled by growing market faith in the likelihood of

These hopes of lower interest rates even infected sentiment about the UK yesterday, after industrial data was unexpectedly weak in

European monetary union.

Official figures showed that industrial production fell by a seasonally adjusted weaken the currency. It 1.1 per cent in the month -

that base rates will not rise soon - and might even be trimmed again. This prompted a small rise in short sterling futures: the contract for December rose 4 basis points to 94.22 and the March contract rose 5 basis points to 94.01. At this level traders expect UK base rates to be about 5.88 per cent and 5.99 per cent in those months

respectively. However, remained steady during the day. It closed at DM2.2869 and \$1.5439, compared with a previous close of DM2.2793 and \$1.5423.

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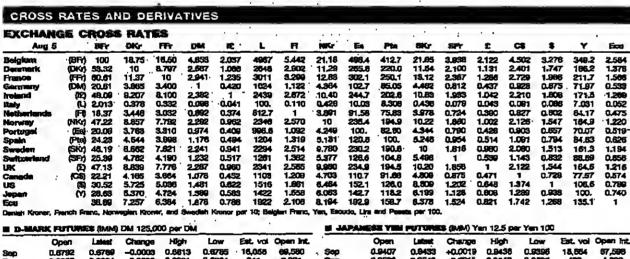
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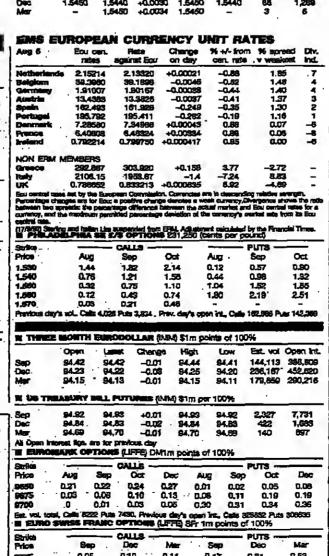
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July, 1996



#### **Hungarian Bank for Investment** and Development Ltd

U.S. \$75,000,000

Term Loan

Arrangers and Lead Managers ABN AMRO Bank N.V. Bayerische Vereinsbank Aktiengesellschaft Central-European International Bank Ltd.

#### Co-Lead Managers

ARGENTARIA Banco Exterior de Espana S.A. Bank of Taiwan, Amsterdam Branch Bayerische Landesbank Girozentrale Christiania Bank og Kreditkasse CREDITANSTALT RL Credito Italiano S.p.A. Dresdner Bank Luxembourg S.A. Industriebank von Japan (Deutschland) AG Landesbank Schleswig-Holstein International S.A. Mitsubishi Trust & Banking Corp. (Europe) S.A. The Royal Bank of Scotland plc

Banca Monte dei Paschi di Siena S.p.A., Frankfurt Branch Banco Central Hispanoamericano, S.A. Landesbank Rheinland-Pfalz Girozentrale SGZ-Bank AG

Bank Handlowy International S.A. Luxembourg Banque Française du Commerce Extérieur Berliner Bank AG Commerzbank Aktiengeselischaft Credit Suisse Daewoo Bank (Hungary) Ltd. The Full Bank, Limited Kredietbank N.V., Qublin Branch Magyar Külkereskedelmi Bank Rt. Norddeutsche Landesbank Luxembourg S.A. Sumitomo Bank (Deutschland) GmbH

Banco Borges e Irmao, Paris Branch BfG Bank AG National Savings and Commercial Bank Ltd Zürcher Kantonalbank

Facility Agent

Central-European International Bank Ltd.



Vereinsbank



#### COMMODITIES AND AGRICULTURE

# SA platinum workers reject Impala's offer

The strike at South Africa's Impala Platinum mines enters its fifth day today after the rejection by the National Union of Mineworkers of a revised pay offer from the company.

But unrest at Anglo American's Rustenburg mine, the world's largest platinum producer, which last month dismissed its entire work force of 28,000 during a wild cat strike, has subsided.

Impala, controlled by the Gencor group, is the country's second largest producer of the white metal. It said the union bad rejected its wage offer of 8 per cent. raised from 7.44 per cent after 25,000 workers downed tools on Thursday in support of the NUM's demand for a 9.5 per cent increase.

date was estimated at R28m (US\$6.25m), equivalent to the platinum content of about 175,000 tonnes of ore. The stoppage will compound the loss of about 97,000 troy ounces of pure platinum as a result of last month's strike at Anglo'a Rustenburg mine. Analysts said the losses would have little impact on the world platinum surplus but could dent the appeal of platinum equities as a hedge

Ms Ann Dunn, a spokesperson for Impala, warned agalnst comparisons tween the two stoppages. The Impala strike was "very disciplined, quiet and legal",

stock for investors hit by the

recent devaluation of the

rand. Platinum was up \$2.30

an ounce in London at

two lives and stalled production at Anglo's Rustenburg mine following clashes between miners and men understood to be supporters of the illegal strike, which was condemned by the NUM. The strikers were demand-

> contributions, but the motive for the action could be more complex. "Anglo does not know who bas orchastrated this dispute, and they do not know if the intimidation is coming from inside the workforce or from people who wara rehired," said Mr Francois Ferreira, analyst at Ivor Jones Roy. Amplats was

investigating possible

involvement by criminal or

political groups, he said.

ing the repayment by

Amplats of their income tax

and unemployment fund

# Venezuelan gold project given go-ahead By Raymond Colitt in Caracas

Canada's Placer Dome is moving ahead with a \$600m project to develop the Las Cristinas gold mine in southeastern Venezuela in conjunction with its partner, the state Corporación Venezolana de Guayana. CVG celebrated the deci-

sion as the first large project in the opening of Venezue la's mining sector and the Guayana region. According to CVG president, Mr Elias Ynaty, it is "one of the most important projects in Latin America and the world". It comes after investor confidence was renewed by a stand-by agreement with the International Monetary

Placer Dome holds a 70 per cent stake in the joint-venture Mina Las Cristinas (Minca) and was the first major international mining company to obtain mineral

rights in Venezuela in recent ing bill including such a pro- for 15 years. According to contained in the saprolita posal, which has been stalled Placer Dome it is the largest in Congress stace last Sepgold deposit identified in cock. Revised estimates years. The Canadian mining concern had rapaatedly delayed its decision to go

ahead with the project because of a series of govern-CVG and the government ment interventionist poli-"were disposed to listen to cles, including foreign proposals by legislators on exchange controls, as well as the matter". an increase in sales taxes. In Although the authority to the month of April Veneaward mining righte recently reverted to the min-

istry of energy and mining, CVG maintains sufficient autonomy to enter into jointventures with the private sector on its own behalf. CVG was stripped of its rights to grant mining concessions following a recent quarrel between government entitles and entrenched CVG bureancrats over plans to streamline and partially pri-

holding company. Las Cristinas has more than 9m ounces of proven reserves and is expected to produce an average of 450,000 ounces of gold a year 1.21 grams of gold a tonne,

Venezuela. Construction is He added, however, that to begin in late 1996 and gold production is scheduled to commance in the fourth quarter of 1998. Construction involves a power transmission line from tha hydroalectric plant Macagua II on the Choroni river to the mine of initially 230KW and

later 400KW. The mine is located in the south-eastern state of Bolivar, known for its dramatic sandstone formations, which tower up to 2,000m above tropical rain forest in some areas and semi-arid grasslands in others. The ancient rock formations form part of the Roraima Province For-

vatise the public industrial mation Development plans call for a large open pit mine, with conventional truck shovel combinations to recover 233m tonnes of ore, grading

place the cash cost per ounce at under \$200, net of copper credits, at an average milling rate of initially 55,000 tonnes a day and 100,000 tonnes a day when bedrock is reached. About 60 per cent of total gold production will be contained in concentrate and 40 per cent in dore. Copper production is expected to average 36m lb annually. Environmental regulations require that most of the cyanide used to extract gold be

Placer Dome is now developing a financing and riskmanagement plan, which is reported to foresee both private sector and multilateral lenders. The company says talks with lenders are well advanced. According to Mr Osvaldo Ruiz, talke are under way with the Andean Devalopment Corporation over financing possibilities.

# Sugar prices forecast to fall 16 per cent as world surplus grows

The global sugar surplus will be larger than expected next year, pushing prices down by 16 per cent, the Economist Intelligence Unit forecasts in its latest report

on world commodities. It says stocks are likely to build to higher levels over the next two years than previously forecast, although they will atill be lower than in the 1980s, when producers overreacted" to prices as

low as 40 cents a pound. Re-stocking by importers is unlikely to use up the surplus, forecast at 4.2m tonnes in 1996-97, and prices are likely to fall to 9.5 cents a pound in 1997 and below 9 cents in 1998.

The surplus is put at 3.8m However, the report adds year, 8 per cent in maize and

	World Sugar Bal	ance (millio	n tonnes		
	1997-98(1)	1996-97(1)	1995-96	1994-95	1993-94
Production*	127.0	124.8	121.7	110.1	110.4
Consumption*	123.2	120.6	118.3	114.5	113.3
Balance	+3.8	+4.2	+3.4	+1.6	-2.1
Closing stocks	48.1	44.3	40.1	38.7	35.
Stocks ratio#	39%	36.7%	33.9%	32%	319

that quality white sugar is 21 per cent in soyabeans. still in short supply after two years of disappointing European Union crops. "White prices should remain strong, encouraging refining and helping to slow the

decline in raw prices." The EIU says prices of food commodities in general will next year lose most of the gains made in 1996. It predicts a drop of 7 per cent in wheat prices next plies gradually improve.

expected to exceed use by a amall margin again in 1997-98, with world stocks climbing to 102m tonnes from 97m. Stocks in the five main exporting countries are forecast to recover to a safer 37m tonnes from an uncomfortably low 29m tonnes in 1996-97.

Prices should fall as sup-On maize, the report says:

sion ten days ago, The supply and demand balance will remain precarious in the foreseeable future, even with no more bad news on the supply side, but the

sent exceptional situation

can be expected to ease". For soyabeans, it says stocks are still about 10 per cent higher than a year ago and look set to remain high for the rest of this year and early next, which will encourage "a steady weaken-

# Mexican gas processor to resume production following explosion

zuela liberalised its rigid for-

eign exchange regime and

imports in the mining sector

from whole sale taxes, which otherwise would have

increased the project's capi-

tal cost by an estimated

The concern of Placer

Dome and other interna-

tional mining companies

over the government's inten-

royalty from 1 per cent to 4 per cent still persists.

According to Mr Oswaldo

Ruiz, director of Minca, min-

ing anthorities intend to lobby legislators over a min-

recently exampt capital

Patróleos Mexicanos, the Mexican state oil monopoly, plans to resume production gradually this week at a gas processing facility that was badly damaged by an explo-

The accident at the Cactus complex in south-eastern Mexico, which ranks as one of the world's largest, temporarily crippled one-third of the country's gas processing capacity. Before the explosion, the complex proce 2.13bn cubic feet of natural gas a day.

Over the past week, Pemex engineers have been working to isolate the two plants that were wrecked by the explosion. They each processed 500m cu ft of natural gas a day. Three smaller plants at the complex were

relatively unscathad, but engineers said new pipelines had to be laid down and others re-routed to circumvent the burned-out wasteland at Gas flares surrounding the the centre of the complex.

Work was also being conducted to restore power circuits and to check whether boilers and steam ducts had suffered any damage

Tha forca of the blast which Pemex blames on a gas leak from a faulty valve. blew off roofs and shattered windows in 3km radius. Inside tha complex, the explosion flattened many facilities, including a computerised control room built of reinforced concrete. The fires that followed tore through the two central gas plants, destroying an estimated \$200m-worth of equipment. Six people died and nine are in hospital with

director, said it was the costliest accident of Pemex's 58year history.

Cactus complex were still burning pent-up supplies at the waakand, although Pemex officials said they had re-routed most of the unused output to other gas processing facilities. Nuevo Pemex. Ciudad Pemex and La Venta were stepping up their gas processing capabilities, the officials said. A new plant at the petrochemical complex of Pajaritos in the state of Veracruz was also due to start processing 200m cu ft a day of natural gas later this

Nevertheless, Mr Lajous said Mexico would still need to import emergency gas supplies for at least another eight months. Following the explosion, Mexico began or to find new locations.

JOTTER PAD

Mr Adrien Lajous, Pemex's importing 300m cu ft a day, at a daily cost of \$630,000. Mr Lajous said daily imports could be reduced to 200m cu ft when the Pajaritos facility entered production. "Tha depend on the overall demand in the economy and the Federal Electricity Commission's ability to switch from natural gas to fuel oil at its power plants," Mr

Meanwhile. Pemex engineers were studying how to destroyed by the explosion. The plants were built 20 years ago, and technological improvements since then have favoured the construction of smaller, more efficient facilities. Tha engineers said they had not yet decided whether to rebuild the plants on the same site

#### COMMODITIES PRICES BASE METALS LONDON METAL EXCHANGE ALUMINIUM, 99.7 PURITY (\$ per torne) Previous High/low AM Official ALUMINIUM ALLOY (\$ per tonne)

1255-6 1290-1 1290-5 Kerb close 5,139 ■ LEAD (\$ per torm ■ NICKEL (\$ per tonne) AM Officia Kerb close TEN (5 per konne 6105-15 3,502 E ZING, spi 1011-12 1009,5-10.5 1038-9 1035-6

Close Previous High/low AM Official 1011 5-12 Kerb close Open art. Total daily turnover 6,753 E COPPER, grade A (5 per lon 2038-43 2041-6 LAKE AM Official S/S rate: 1.54 LAKE Closing S/S rate: 1.5433

Spot 1.5447 3 mile: 1.5439 6 mile: 1.5439 9 m7s: 1.5437 90 75 -1.05 92 80 90 60 300 2.577 99.20 -1.25 92 45 89.80 3.864 18,677 89.80 -1.15 97.40 01.40 140 1.453 89.20 -1.00 91.20 91.20 27 1.219 88.70 -0.80 90.50 88.50 679 14,822 88.30 -0.90 90.00 90.00 51 983

PRECIOUS METALS (Prices supplied by N M Rothschad) 388,00-388,40 387.95 250.824 464.250 389.75 252.380 467.778 390.00-390.40

Gold Lending Rates (Vs USS) p/troy 02. 330.15 334.40 338.65 347.70 398,70-401.25

GOLD COMEX (100 Troy oz.; \$/troy oz.)

389.4 +1.8 390.5 388.4 1,096 2,500 382.3 +1.7 393.5 380.8 2,620 13,022 385.0 +1.8 396.2 393.0 21,988 77,915 397.5 +1.8 398.5 395.5 1,002 9,663 399.9 +1.8 400.5 400.3 837 5,868 402.5 +1.8 403.0 403.0 1,432 10,918 28,100 162,728 ■ PLATINUM NYMEX (50 Troy oz.; \$/roy oz.) ■ WHEAT CST (5.000bu min; cents/60b bushel) ■ COCOA CSCE (10 tonnes; \$/tonnes) 408.5 +1.1 410.0 407.5 2,453 19,781 410.7 +1.1 412.0 410.0 222 3,160 413.1 +1.1 415.0 413.5 135 2,346 415.5 +1.1 418.0 416.5 100 157 IN PALLADIUM NYMEX (100 Troy oz.: \$/troy oz.) SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) 506.4 +1.5 502.0 502.0 508.7 +1.2 513.5 505.0 1

**ENERGY** 

1800 -010 1818 18.00 216 6,440 HE HEATING OIL MYNEX (42,000 US galls.) 57.00 - 57.50 55.70 330 3.650 58.35 -0.38 00.70 58.05 13.877 38.819 58.15 -0.52 95.60 50.00 3,777 11.405 58.15 -0.52 95.60 50.00 3,777 11.405 58.25 -0.53 59.50 55.15 5.619 24.388 58.25 -0.53 59.50 57.90 1.425 18.030 58.25 -0.53 59.50 57.90 1.425 18.030

176.75 +300 178.75 177.00 1.037 4.298 175.25 +2.50 177.50 175.00 1.377 11.257 173.00 +2.50 175.25 173.00 505 4.767 2.185 -0.130 2.325 2.100 12,675 28,661 2.210 -0.109 2.325 2.205 3,710 18,761 2.300 -0.007 2.387 2.300 2.076 12.749 2385 -0.065 2450 2370 1,994 15,072 2380 -0.070 2455 2380 1,749 11,985 2290 -0.050 2350 2280 484 7,034

Precious Metals continued GRAINS AND Oil SEEDS ■ WHEAT LCE (€ per tonna)

110.40 -0.35 110.25 110.25 111.95 -0.60 112.75 111.95 114.05 -0.70 114.75 114.25 116.00 -0.75 116.75 116.00 395.50 331.25 -5.75 332.00 328.50 332.00 -5.75 333.50 329.50 305.00 -3.75 305.00 304.75 101.25 -0.60 181.00 101.00 103.50 -0.90 104.00 103.50 105.50 -0.85 105.50 105.50

SOYABEANS CRT (5,000bu calc; ceopy/50b branks) 767.00 -5.75 759.00 756.50 3,067 11,073 748.00 -3.75 749.00 735.50 2,332 14,842 734.75 -3 738.00 718.25 27,067 11,305 742.25 -3.5 743.00 730.00 793 16,214 748.00 -4.25 748.00 735.00 497 7,663 751.50 -3.75 752.00 740.00 100 5,994 SOYABEAN OR, CBT (60,000bs: cents/b) SOYABEAN MEAL CET (100 tone; \$/ton) Ang Sep Oct Dec Jan Mar Total POTATOES LCE (EAgrand)

61.30 -0.82 62.95 61.05 11.292 27.798

443.50 -5.5 449.50 441.00 7,034 25,384 448.50 -5.25 452.50 444.50 8,852 33,111 446.50 -4.73 451.50 444.50 905 8,586 422.00 -1 423.00 419.50 18 231 367.00 -4 392.00 396.50 36 2,541 16.647 67,972 348.25 -10 353.00 346.25 8,677 68,667 316.25 -6 319.00 315.00 21,236164,418 325.75 -5.75 326.75 322.50 1,806 35,804

24.50 +0.21 24.30 23.80 5.835 4.938 24.64 +0.17 24.63 24.05 3.207 18.256 24.50 +0.14 24.80 24.25 5.574 11.561 25.21 +0.16 25.22 24.65 4.605 24.64 25.36 +0.18 25.35 24.88 101 4.073 25.65 +0.15 25.45 25.20 01 3.894 243.8 -0.3 244.0 240.0 3,552 13,812 239.0 -0.9 240.0 235.2 4,224 15,535 232.3 -0.8 233.5 220.5 796 7,201 230.9 -0.4 231.0 225.5 4,653 28,006 231.0 - 230.5 228.0 400 3,945 230.4 -0.6 230.0 228.5 128 3,579 14,385 78,273 4,663 26,806 400 3,945 126 3,579 14,365 75,273

1028 -11-2 109-9 103-0 258 1,083 125-0 - - 3 Any Sup Oct Jen Apr Jul Total

The Ten Broker's Association reports, demand was strong and general Landed, all bright and coloury medium East Afficans were 2 to 8 perce dearer, sper from 192p/kg., good 118p/kg., good medium 112p/kg., madium 103p/kg., low medium 88p/kg.The highest price resilised this week was 192p for a Ceylon bop.

■ COCOA LCE (E/honn 1341 -4 1354 1338 2,616 19,125 1380 -3 1390 1377 1,333 19,659 1406 -8 1410 1409 147 16,928 1430 -5 1430 1430 77 7,434 5 5,162 4,174 79,208 1467 ■ COCOA (ICCO) (SDR's/tonne)

1833 -11 1563 1530 909 13,121 1518 -13 1535 1512 670 8,911 1473 -14 1490 1475 192 3,971 1435 -9 1453 1440 133 2,488 1420 -5 1422 1407 71 510 1424 +8 1410 1405 11 159 ■ COFFEE \*C\* CSCE (37,500lbs; cents/lbs) 107.90 +0.40 108.50 106.25 4,142 14,187 102.35 +0.75 102.75 100.60 1,724 100.20 +0.80 100.80 99.00 453 100.75 +0.75 101.00 100.00 63 101.25 +1.00 101.10 101.10 49 101.75 +1.50 104.25 104.25 24 ■ COFFEE (ICO) (US cents/pound)

346.8 +9 5 347.8 348.0 530 11,333 343.8 -0.7 344.5 342.9 205 3,954 341.0 -0.5 342.5 340.5 357 6,159 377.8 -0.2 338.1 337.0 57 2,331 353.8 +0 1 336.0 334.6 129 923 324.3 -1.0 326.1 326.1 27 850 SUGAR '11' CSCE (112,000lbs; cents/lbs) 11.73 +0.02 11.76 11.62 7,792 71,660 11.42 - 11.44 11.36 3,175 42,714 11.19 +0.04 11.19 11.11 1.461 16.713

E COTTON NYCE (50,000lbs; cents/fbs) 72.53 +0.24 72.90 72.05 789 7.938 73.21 +0.26 73.60 72.80 2.859 31.208 74.00 +0.25 74.94 74.25 234 7.736 75.40 +0.30 75.10 75.00 17 5.817 112.40 +0.50 112.70 111.40 1.815 12.441 113,45 +0.55 113.00 113.00

**VOLUME DATA** Open Interest and Volume data shown to NYCE, CME, CSCE and IPE Crude Oil are one day in arream. Volume & Open Interest totals are for all traded months. INDICES

■ REUTERS (Base: 18/9/31=100) Aug 5 Aug 2 month ago year ago 1935.6 1924.9 1986.3 2201.2 E CRB Futures (Base: 1987=100) Aug 2 245.13 # GSCI Spot (Base: 1970-100)

MEAT AND LIVESTOCK LIVE CATTLE CME (40,000fbs; cents/fbs) 86.425 -0.473 87.050 66.400 4.846 19.703 69.800 -0.25 70.250 69.550 3,937 37.859 67.400 -0.05 67.800 37.300 3,033 20.016 65.625 -0.075 85.925 95.450 737 12.720

LIVE HOGS CME (40,000ths; cents/lbs) Aug 60.560 +0.825 60.700 56.900 2.882 5.582
Oct 55.575 +0.725 55.800 55.400 2.902 14,086
Dec 56.950 +0.5 56.850 56.250 1,282 9,481
Feb 76,750 -0.05 77,190 76.500 163 2,513 78.825 -0.1 78.800 78.250 87.350 +2 87.350 86,750 86.225 +0.975 87.200 86.200 85.500 +0.7 85.800 84.750 82.300 +0.3 82.300 82.300

LONDON TRADED OPTIONS Strike price \$ tonne -- Calls --

175 COFFEE LCE COCOA LCE LONDON SPOT MARKETS

Premium Gasoli Ges Oli Heavy Fuel Oli Naphtha Jet fuel +3 \$94-96 \$190-192 \$185-186 MATURAL GAS P Bacton (Sep) 13.50-13.75 +0.06 Gold (per troy oz) \$
Silver (per troy oz) \$
Pinthum (per troy oz.)
Palladium (per troy oz.) Copper Lead (US prod.) Tin (Kusta Lumpur) Tin (New York) 15.05r 288.50 -0.10

Aug 1 month ago year ago 245.52 -

\$18.08-8.17 -0.08 \$19.57-9.59 -0.02 \$19.50-9.52 -0.08 \$21.09-1.12x -0.05 Cattle (live weight) Sheep (live weight) Pigs (live weight) Lon. day sugar (raw) Lon. day sugar (wte) Barley (Eng. feed) Maize (US No3 Yellow) Wheat (US Dark North Rubber (Jul)♥ Rubber (Aug)♥ Rubber (KL RSS No1) Coconus Oil (Philis Palm, Oil (Matay.)§ Copra (Philis Copra (Philis 790.0w Soyabeans (US) Cotton Outlook'A' index Wooltops (64s Super)

#### **CROSSWORD**

No.9,139 Set by ALAUN

1 Appearing in "The Wicked Lady", created an impact 4 She'll bring tha money 10 Get mixed up with spies and end badly (8) 12 Will lt tell you if the water's deep enough for

(3,2) mas (7)
15 Piece of music so long it 14 Shows as always to have has to cut by half (4) 16 Did teaching conceivably lie about her allure? (7) have trapped the rain in it?

21 Kind with schoolchildren 25 All there can't squeeze into 26 Bathed in a watery glow?

28 Time to rebuild dynamo (6) 30 Boding ill for the left (3) 31 Like best, running on the outside, that dog (6)

consternation (8) 3 They happen to have key boles (6) 5 From the bitter cold, belp to protect (4)
6 Scamp used to stray but is not so bad now (8) 7 How many have yet to get drunk at the new inn? (6) 8 This time one has a second one (6) beheld it's tricky to knot! 11 He got very tight at Christreturned, alas, e loss (7) Leads the way and goes back to power (8) 18 Bumps into one day taking the dogs out (8) 19 Your team's going out to play in purple (8)
22 The wife will wish we were with her (6)

23 Try hard to get air (6) 24 Leavs in a sailing boat Ior somewhere in S. America 27 l abandon lt with regret that is unfeigned (4)

Solution to Saturday's prize puzzle on Saturday August 17. Solution to yesterday'e prize puzzle on Monday August 19.



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	FINANCIAL TIMES TUESDAY AUGUST 6 1996	*		23
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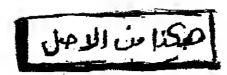
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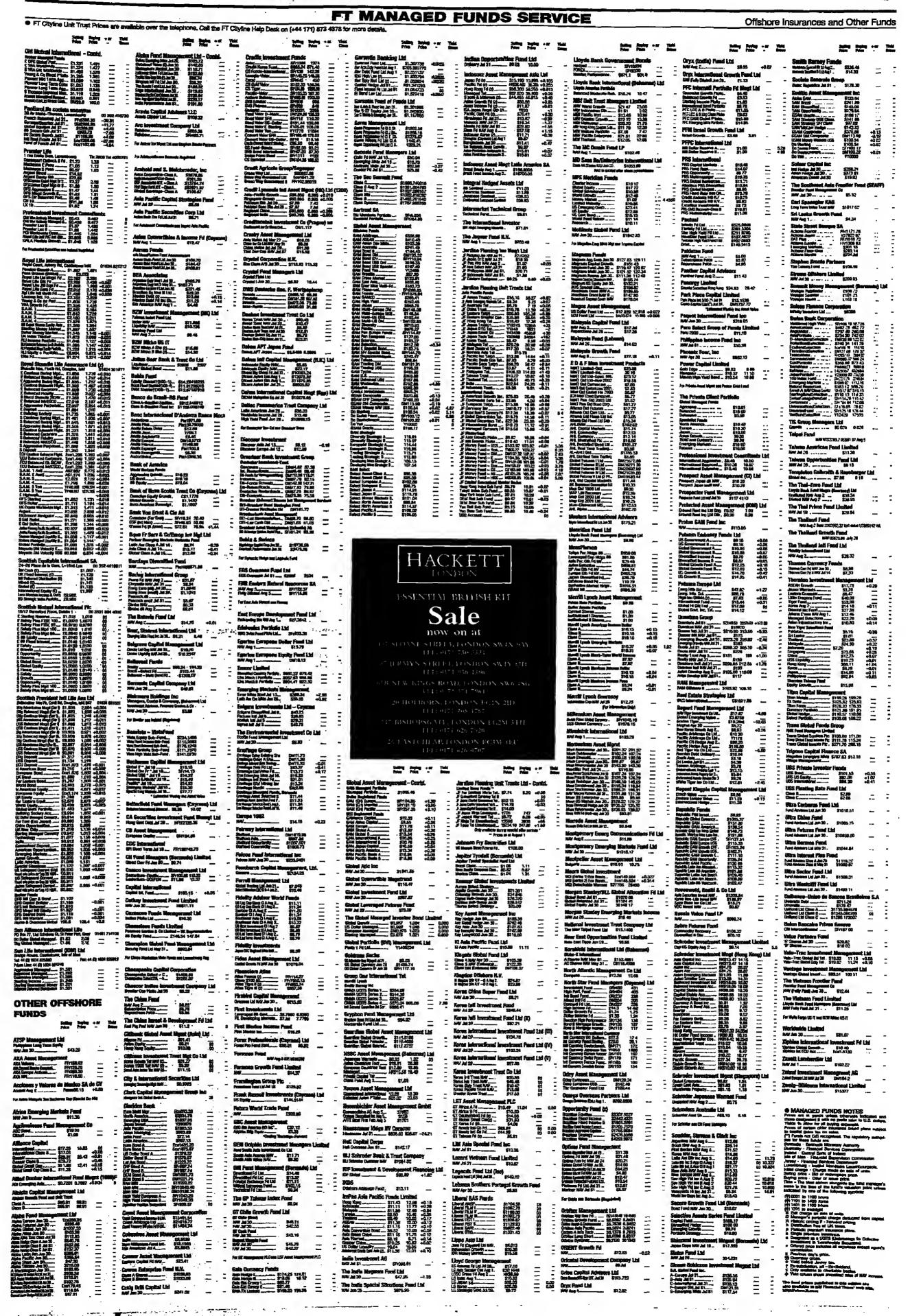
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#### LONDON STOCK EXCHANGE

# Footsie celebrates four-day winning streak

Markets Editor

A decent set of corporate results. a continued recovery on Wall Street and some modest optimism about UK interest rates combined to send the FT-SE 100 index higher for the fourth con-

secutive trading session.

The August holiday season is in full swing and once again, turnover on Monday appeared to be sluggish. By 5pm, 477.4m shares had been traded, of which 54 per cent was in non-FT-SE 100 stocks. The value of customer business on Friday was £1.83bn. Suddenly, however, between

was reported in Just Group, an AIM stock, lifting the 6pm count for overall market volume to 1.2bn shares. Howevar, the devil appeared to have been at work, since the Just deal, at 4½p, would have represented five times the company's market capitalisation at Friday's close. The Stock Exchange was unable to confirm the accuracy of the reported

In the real world, the FT-SE 100 index managed a 17.7 point rise to 3,788.7 and it has now risen 120 points since July 30. The Mid-250 index, which has trailed behind Footsie in recent sessions, had a

better day, rising 22.7 to 4,288.4. Figures from HSBC Holdings. the Hong Kong bank which owns Midland, and Pearson, the diversified group which owns the Financial Times, both came in better than expected and put the companies' shares among the top three Footsie performers.

Mr Philip Isherwood, UK strategist at Kleinwort Benson Securities, says "the companies reporting this summer are matching or beating expectations. There has been a modest upgrading of 1997 estimates. With the institutions having lots of cash sitting on the sidelines, wa think Footsie can end the year at 4,000.

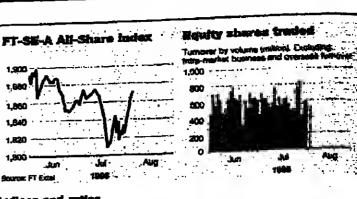
effect of a number of stocks. including BT and Scottish & Newcastle, going ex-dividend. Shares received a modest lift from Friday's close on Wall Street, where the Dow Jones Industrial Average notched up another 85 point gain. The US market made another steady start yesterday, with the Dow around nine points ahead by the

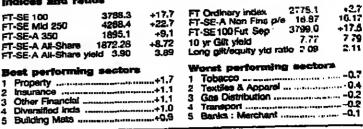
London close. Figures for manufacturing output and industrial production showed larger month-on-month falls than expected, raising hopes that the chancellor will push for

Yesterday's figures helped the a further cut in base rates. Gilts London market overcome the took heart from the weak data. with the 10 year benchmark issue ending the session around an eighth of a point ahead.

But other recent economic data have been quite robust and the Bank of England is expected to argue, in Wednesday's inflation report, that rates may have to rise if the government is to meet its inflation target. "The weak output data need to

be set against the more buoyant signs in retail sales, business surveys, mortgage commitments, car sales and hroad money" says Mr Michael Saunders, UK economist at Salomon Brothers.





#### Upgrade boosts **HSBC**

International banking group HSBC was by far the best performing Footsie stock of the day as analysts focused on the hetter-than-expected interim figures.

A busy session, in which 11m was dealt (the second highest total of the day), saw the shares rise 48 to 1164p, as analysts moved to upgrade full year profit expectations.

Mr Robert Law at Lehman Brothers was among those cheered by the figures. He raised his profits estimate for the year from £4.15bn to £4.5bn and beliaves, "the shares should be more highly rated based on the increased profits."

In the rest of the sector, Barclays which reports interim figures today, was in demand and the shares gained 8 to 845p, in trade of 3.9m. Rumours in the market suggested that company will announce a £200m share buy-back with today's figures. However there was nervous trading in Abbey National, which reports figures tomorrow. The shares eased 3 to 585p.

Standard Chartered was also wanted and the stock ended the session 12 ahead at 6930 in busy trade of 3.1m Media group Pearson

shrugged off recent gloom and moved strongly ahead on a combination of reliaf 182p. over its interim results and appreciation about a dis-

trade last night.

The group's shares fell back last week as a series of bear stories did the rounds. The talk included a suggestion that the figures would do no more than break even. while the more bearish even talked of a dividend cut.

All of this proved unfounded as Pearson reported half time figures at tha top end of market expectations and raised the dividend. The market was also cheered by the £305m disposal of Westminster Press. The shares responded by jumping 19 to 630p, though voluma remained modest.

Kleinwort Benson was among those pleased with have raised its recommendation from "hold" to "buy". Henderson Crosthwaite Cadbury Schweppes as talk remains positive and has a corporate valuation of 890p a share. However, the broker

has downgraded full yaar

profit expectations by £10m

Property gains

An upbeat note from Panmure Gordon added to the positive glaze that has lately begun to form over property

The broker sees the sector as "back into buying territory", and picks out British Land, Brixton Estates and Land Securities as offering the hest growth prospects among the mature investment groups. British Land jumped 11 to

Land Securitles. boosted by a £130m disposal, added 15 to 684p.

Hopes for solid numbers when motor engineer GKN announces interim results tomorrow helped lift the The City consensus is for

profits in a £175m to £180m range, against £158m last "The numbers will be unexciting given tough trading in the automotive market, but in relation to the sector growth of 13 per cent could eventually be seen as something special", said one analyst yesterday.

Vague takeover talk got behind aviation and defence group Hunting. The shares. down from 190p in three weeks following a profits warning, jumped 9 to 120p in the figures and was said to above average volume of

There was profit-taking at

451p and Brixton added 7 to Aug 5 Data based on Equity shares listed on the London Share Service

lever a possible predator subsided.

One analyst said that the market had caught on to the fact that there was no sign of buying, other than by the institutions. He said that analysts who followed Unilever closely did not believe the speculation. Cadbury Schweppes fell 10 to 529p while Unilever, which has half year results on Friday. rose 9 to 1267p.

A note from SGST on food manufacturers helped lift Booker 8 to 373p. Mr Carl Short, its food manufacturing analyst, said the main driving force behind the sector's poor performance in profit and share price terms, from 1992 until recently was a margin squeeze in the UK caused by the failure to recover raw material cost

He said there were signs

	Aug 5	Aug 2	Aug 1	Jul 31	Jul 30	Yr ago	"High	Low
Ordinary Share	2775.1	2772.4	2748.2	2715.8	2694.5	2610.0	2685.2	2668.8
Ord. div. yield	4.10	4.10	4.14	4.16	4,22	4.26	4.22	3.78
VE ratio net	16.34	16.33	16.20	16.03	15.88	15.78	17.25	15.80
E ratio nil	16.16	16.17	16.03	15,87	15,72	15,48	17.03	15.71
Irdinary Share Inde	s since co	molectors:	Nah 2865.	2 10/04/96	ine 48.4	26/06/40	Seco Due	E 1/7/35

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SEAQ bergeins	33,461	33,225	29,980	27,803	24,043	24,351
Equity turnover (	Emit –	1830.4	1638.3	1856.7	1684.8	1439.3
Equity bargains!	-	36,512	31,575	33,716	30,236	35,974
Shares traded (rr	ant –	635.6	512.7	588.6	585.6	541.1
†Excluding Intra-mo	bne erenieud tesh	OVERSORS D	Lintover,			
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M London market data

Hises and falls' 52 Week highs and lows LIFFE Equity option 877 395 1,429 75 26

of a takeover - with Uni- the squeeze on margins to close at 231p, with volume reaching 1.8m by the close. would begin to reverse during 1996.

Among transport shares, Railtrack, floated at a partly-paid 200p in May and a recent strong performer, ran into profit taking. The came off sharply in shares heavy 11m volume, ending down 41/2 at 229p.

Interim profits broadly in line with City expectations failed to inspire British Airways, which continued to suffer from groggy sentiment as a result of the legal moves by 24 per cent owned associate USAir. The shares dipped 61/2 to 534p.

"It's all very damaging. It looks as if USAir is trying to get the best position possible at the negotiating table ahead of BA's marketing link-up with American Airlines", said one analyst yesterday.

the day's most heavily traded Footsie stock, racking up turnover of 18m with the equivalsot of a further 4.5m passing through the traded option pits.

The stock went ex a net dividend of 11,25p so it was actually a positive day for sentiment, with BT seen to have emerged in solid shape from its latest war of words with Oftel, the industry regulator. The shares ended a penny better at 365%n. Some brokers have begun

towards 400p, although yesterday's heavy volume suggested that the City remains deeply divided on the outlook for trading. "The regulatory background remains a bone of

to talk the shares back up

contention for the shares" said one leading analyst yes-British Blotech, in which a ten-for-one share split came

into effect yesterday, was in favour yesterday and the shares rose an adjusted 131/4

FT-SE 100 FT-SE Mid 250 FT-SE Mid 250 FT-SE-A 350

FT-SE-A 350 Higher Yield FT-SE-A 350 Lower Yield

FT-SE-A ALL-SHARE ■ FT-SE Actuaries

FT-SE SmallCap FT-SE SmallCap ex Inv Trusts

10 MINERAL EXTRACTION(24) 12 Extractive industries(6)

16 Oil Exploration & Prod(15)

20 GEN INDUSTRIALS(278) 21 Building & Construction(34) 22 Building Mattis & Merchs(29)

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30 CONSUMER GOODS 30 Consumer Goods
32 Alcoholic Beverages()
33 Food Producers(24)
34 Household Goods(15)
36 Health Care(20)
37 Pharmaceuticals(13)

40 SERVICESISS

49 Transport(22)

OO UTILITRES(38)

41 Distributors(31) 42 Leisure & Hotels(24) 43 Media(45) 44 Retailers, Food(14)

Diversified Industrials(19) Electronic & Elect Equip(37) Engineering(71)

FT - SE Actuaries Share Indices

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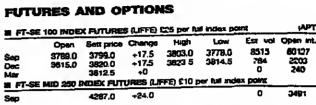
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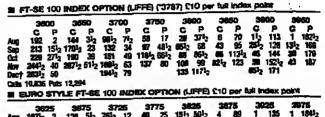
A NatWest Securities review of the retail sector

ons rose 51/2 to 508p.

provided some optimism for the sector, with analysts forecasting that it was due a big bounce. However, it did sound a note of caution after the year end, with the looming general election causing uncertainty. Marks & Spencer rose 7 to 4951/2p, Next climbed 10 to 547p and Dix-The expectation that

Bass's bid for Allied Domecq's 50 per cent stake in Carlsberg Tetley will materialise this week lifted the brewing and leisure group 13 to 828p. Allied, however, fell 5 to 447p.





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#### DIAMONDS - NEW HORIZONS IN MINES AND MARKETS

7 October 1996 - London

This major one-day conference will review the significant changes ace in the international diamond industry, examining the consequences of the boom in worldwide exploration for diamonds, the impact of possible new producers on the market and the growth of new consumer markets in Asia. Expert speakers from North America, South Africa, Europe and Australia will address these key issues at this, the first FT conference devoted to diamonds.

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Canada's Potential as a New Diamond Producer-Where Do the Russians Stand?

Africa's Position in World Diamond Production - Now and in the Future ....----How the Markets will Respond to the Prospects of New

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Mr R John Robinson Chief Executive Ashton Mining Limited Mr James Picton Research Consultant

Standard Equities, John

President, World Federation Dr Luc Rombouts

Mr Peter M Miller Chief Executive, St Gener Resources Ltd President, KWG Resources Inc

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# NEW YORK STOCK EXCHANGE PRICES

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HOTEL INTER•CONTINENTAL LUXEMBOURG

When you stay with us in LUXEMBOURG



FINANCIAL TIMES

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	90 <sup>2</sup> <sub>1</sub> 22 <sup>2</sup> <sub>2</sub> TakeOn 1.16 5.0 9 3049 23 <sup>2</sup> <sub>5</sub> 22 <sup>2</sup> <sub>5</sub> 23 4 40 <sup>2</sup> <sub>5</sub> 24 TakeOn 1.24 3.3 12 616 38 <sup>2</sup> <sub>5</sub> 37 <sup>2</sup> <sub>5</sub> 38 <sup>2</sup> <sub>5</sub> 47 <sup>2</sup> <sub>5</sub> 38 <sup>2</sup> <sub>5</sub> 47 <sup>2</sup> <sub>5</sub> 17 <sup>2</sup> <sub>5</sub> 18		9 9	- C -  CToc 32 981 26 <sup>4</sup> s 25 <sup>1</sup> 2 25 <sup>1</sup> 3 - <sup>7</sup> 4 CadSchwps 1.04 18 8 33 <sup>1</sup> s 33 53 - <sup>7</sup> 8 CadsesCom(0.20 10 472 15 <sup>2</sup> s 13 <sup>2</sup> s 15 <sup>2</sup> s 1 <sup>4</sup> s Com Cp 32 338 9 <sup>8</sup> s 9 <sup>1</sup> 2 9 <sup>1</sup> 2 1 <sup>2</sup> s	- 14 =  7 interplane 30 90 61 <sub>8</sub> 51 <sub>4</sub> 81 <sub>8</sub> 41 <sub>8</sub> 11  National 0.76 16 603 28 25 251 <sub>4</sub> 45 <sub>8</sub> 14  Harpier 6p 0.24 15 47 181 <sub>4</sub> 181 <sub>6</sub> 181 <sub>6</sub> 191 <sub>6</sub> 41  180 8.0 0.08 75 5832 681 <sub>6</sub> 65 651 <sub>6</sub> 41	Moreanilet   1.24   14   1336   61   61   31   4   4   4   MW Air   6   3646   384, 3776   384, 4   MW Air   6   3646   384, 3776   384, 4   Movel   24   9618   11   12   10   10   4   1   1   1   1   1   1   1   1   1	Three Com 4232512 43 <sup>1</sup> 2 42 <sup>3</sup> 8 42 <sup>1</sup> 2 - <sup>2</sup> 8  18 13 222 6,6 6 <sup>1</sup> 9 6,6 4,7  19 10 122 6 83 17 <sup>3</sup> 8 17 17 <sup>3</sup> 4  70dd-40 0.08 16 64 11 <sup>3</sup> 2 18 10 1 <sup>3</sup> 8  1000 Nowa 159 64 18 <sup>3</sup> 4 67 67 11 <sup>3</sup> 8  1000 Nowa 159 64 18 <sup>3</sup> 4 15 <sup>3</sup> 5 15 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 4 22 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 5 15 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 5 15 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 5 15 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 5 15 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 5 15 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 5 15 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 5 15 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 5 15 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 5 15 <sup>3</sup> 5 4 <sup>3</sup> 6  1000 Nowa 159 64 18 <sup>3</sup> 5 15 <sup>3</sup>
) ], :.	AMEX PRICES	· · · · · · · · · · · · · · · · · · ·	4 om oher Aurust 5	Caligent 225 1 1562 6 5½ 5¼ -½ Cal Micro 13 1626 13 12½ 12½ Candeta 89 333 7 5½ 6⅓ -¼ Candeta 14 27 1½ 1½ 1½ 1½ +½ Canga Inc 0.52 31 116 97½ 97 972±1½ 1	Healthcar   2110517 43 <sup>2</sup> m   40 42 <sup>2</sup> m +1 <sup>1</sup> 2   Healthcar   0.08 12 115 9 <sup>1</sup> 2   8   6   Healthcar   18 290 9 <sup>7</sup> m   9 <sup>1</sup> 2   9 <sup>2</sup> 2   -1 <sub>2</sub>   Hechinger   0.16 1 546 3 <sup>1</sup> 2 3 <sup>1</sup> 4 3 <sup>2</sup> 4 + <sup>2</sup> m	- O - OCharkyo 42 1052 1132 1034 1132 +34	Topps Co 0.28 28 416 5 43, 43, -1,  TP Enter 8 445 33, 3 33, -3,  Translatid 2 179 53, 51, 53, +12  Translatid 10 1265 51, 44, 47, +1,  Translatid 10 1265 51, 44, 47, +1,  Translatid 124 18 492 493, 481, 484, +1,
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Share prices

OURS ISPA

1998

due to produce results after

bours, fell DM9 to DM329,

just above its low for the

year. It said that it would

comment then on a Der Spie-

omit dividend payouts.

ZURICH went both ways

on the UBS half-year figures.

peaking early at SFr1,211 on

a 33 per cent increase in

profits which prompted some

year forecasts, but closing

SFr9 lower at SFr1,184. Mr

Hyde of Williams de Broë moved from a sell to a bold

on the stock, which put him

extended last week's gains,

with the SMI index up 18.7 to

in a fairly neutral camp.

analysts to raise their full

**AMERICA** 

# Acquisition flurry in three sectors

**Wall Street** 

US shares drifted higher in light trading yesterday morning as the equity market took a breather after a four-session run that bad added 4.5 per cent to the Dow Jones Industrial Average, writes Richard Waters in New York.

Tha pause came as the bond market, which had been one of the main forces behind the recent gains, set-tor which had been battered thed back from the highs in recent weeks by a string touched on Friday, By lunchtime, the benchmark 30-year bond had shed around % of a point to trade at 90%, for a yield of 6.749 per cent.

The biggest percentage gains of the morning came among companies in the Nasdaq composite, echoing the bounce in Nasdaq stocks late last week. These advances, however, still left the Nasdaq well off its high for the year.

At midday, the Dow Jones industrial average was up 6.29 at 5,686.12, while the Nadsaq composite was 3.01 higher at 1,127.93. The Standard & Poor's 500 bad advanced 0.21 to 662.28.

Meanwhile, a renewed follow. IES's sbares rose spate of blg acquisitions \$3'4, to \$33'4. brought a flurry of activity in three industry sectors

Toronto was closed for a which had already been the holiday.

subject of extensive consoli-

GE Capital announced an agreement to buy First Colony, an insurance company that was put up for sale two months ago. for \$36.15 a share in cash. First Colony's shares jumped \$4%, to \$34%.

industry, meanwhile, Pacifi-Care said that it would buy FHP International in a deal that it valued ot \$35 a share. touching off a rally in a secof earnings disappointments. FHP's shares rose \$62 to \$341. Among other gains, Oxford Health Plans rose \$1% to \$39, Health Systems International climbed \$1% to \$22% and Humana gained \$%

to \$17%.
The third big announcement of the day brought a bostile bid for IES Indus-tries, a mid-westero electricutility, from local rival MidAmerican Energy. The move echoed an attempt by Western Resources, a Kansas utility company, to break up an agreed offer for Kansas City Power & Light, and was taken as a sign of more contested takeover battles to

# Banking stocks see action in D-Mark bloc

Banks saw action in the D-Mark bloc, Bayernhypo reporting in Germany, and UBS in Switzerland, However it was Bayernhypo's neigbbour, Bayernverein, which took gold in FRANK-FURT, where the shares rose DM1.55, or 3 per cent to DM53, as the Dax index gained a mere 0.26 to an Ibisindicated 2.520.52.

Bayernhypo posted a 22 per cent rise in first half profits but Mr James Hyde of Williams de Broë said that it bad had a substantially disappointing second quar-In the managed healthcare ter, with a significant slowdown in all income items. Costs accelerated slightly whereas their previous trend bod been to decrease, and provisions were substantially higher than expected.

Bayernhypo's 26 pfg share price rise to DM43.40 was ascribed to the current fashion for the financial sector. and Bayernverein's outperformance to the thought that it must bave been taking market share from its close A higher dollar did little

for cyclicals, BASF shedding 67 pfg at DM39.72 and most auto stocks losing ground; Hoechst rose 45 pfg to DM50.07, and Schering DM1.25 to DM103.25, but this reflected strong prospects for their jointly owned crop prolection group, AgrEvo.

switches from UBS to SBC, which closed SFr6.75 higher - 1,350 at SFr285.25; SBC is due to release half year results later this month.

AMSTERDAM was in a bolding pattern as many investors either paused to reflect on last week's impressive 5 per cent gain, or left town for their summer bolidays. Most of the session's activity seemed to come from individual investors. rather than institutions. The AEX index slipped

0.33 to 550.12. KLM, due to release first quarter figures today, went against the trend with a rise of 70 cents to Fl 56. Some Outside the Dax, the embattled Computer 2000. analysts believed that the Dutch carrier would show a reasonable set of results, mainly due to tha positive influence of its US partner, Northwest Airlines. Howgel report that it planned to ever, they added, stripped of KLM would probably show a

decline in income. KNP BT, which suffered a downgrade from James Capel at the end of last week, and had its prospective 1996 EPS cut by ING Barings from F13.80 to F1 1.90, fell 80 cents to Fl 35.40 after setting an intra-session year's low of The broad market F135.30.

Among the dollar-sensitive multinationals Royal Dutch 3,623.3. Dealers suspected returned to favour with a

FT-SE Actuaries Share Indices THE EUROPEAN SERVES Hourty changes Open 10.30 11.00 12.00 13.00 14.00 15.00 Close FT-SE Emergack 100 1646.17 1647.23 1647.51 1647.93 1647.06 1645.50 1645.23 1644.08 FT-SE Emergack 200 1666.23 1688.32 1668.63 1698.07 1700.08 1696.06 1698.00 1698.64 Aug 2 Aug 1 Jul 31 Jul 30 Jul 28 1631,55 1684,27

gain of Fl 4.60 to Fl 251.40. PARIS was very much in a wait-and-see mood, with turnover down to FFr2.4bn as the CAC-40 index eased 10.22 to 2,013.19.

A rumour earlier in the day that the prime minister. Mr Alain Juppé, had resigned, quickly dismissed as "absurd" by his office. weighed on sentiment and caused a rippla of selling in tha currency markets.

Eurotunnel moved slightly against the trend, rising 5 centimes to FFr8 as the group announced July figures for the shuttle vehicle service. The company said vehicles had doubled from the same 1995 period, while freight traffic was also significantly higher.

STOCKHOLM began the balf year reporting season with results from Electrolux and Pharmacia & Upjohn, both of which came within

The Affärsvarlden general

index rose 6.3 to 1,949.68. Electrolux added SKr11 or 3.3 per cent to SKr347 after reporting a half-year profit of SKr1.8bn compared to SKr2.1bn for the first half 1995. Pharmacia firmed SKr4

to SKr285. The banking sector also witnessed some of the day's best gains, the sector index rising 1.8 per cent and S-E-Banken SKr1 to SKr56.50.

MILAN concentrated its attention on the tslecoms sector once again with investors eagerly searching ont Stet in anticipation of an announcement from the government, possibly today. regarding plans for privatisa-

The Mibtel index lost 31 to 9,768, while the Comit gained 1.30 at 614.92. Turnover was weak at some L400bn. Stet gained L70 to L5,030, while Sirti advanced L300 to L10,015, Telecom Italia L35 to 1.3.925 and TIM eased L10

to 1.3.300 OSLO was hit by a disappointing set of figures from Nycomed the pharmaceuticals company, as the Total index slipped 2.0 to 817.21 in

turnover of NKr491m. Nycomed lost NKr7.50 to NKr79, a 1996 low, on weaker than expected results which showed a 26 per cent fall for the first six months compared with the same period

HELSINKI was belped higher by Nokia after the company announced an order from the US worth \$100m for bandsets. The company's shares rose FM3 to FM166.50.

The HEX index added 8.07 to 2,012.10 on turnover of FM166.6m. Amer, the sporting goods group, dropped FM3.60 to FM93.40 after it said that it would restructure its Wilson division. Analysts had thought that the restructuring would go beyond golfing equipment when the shares leapt 12.6 per cent last Friday.

WARSAW jumped 3.9 per cent after a four day slide, the WIG index rising 487.0 to 12,823.8. But analysts said that this stemmed from a spate of buy orders delayed by a computer failure last Friday, and some of them predicted flat share prices or worse for later this week.

Written and edited by William

# Nikkei average up 1.7% to recover 21,000 level

# Mexico holds gain

MARKETS IN PERSPECTIVE

% change in local correcty ?

-1.72

-0.23 -3.02

-5.41

-4.42 +3.04

-0.41

+0.85

FT/S&P ACTUARIES WORLD INDICES

+2.86 +2.32

+2.78

+2.40 +13.96

+19.06

.0.37

+9.04

+0.91 +29.42 +14.90

-4.15 +18.33 +7.50

+18.29

Mexico City opened lower on investors digested last profit-taking following a strong rally at the end of last week. By midday, bowever, the market bad begun to recover slightly, with the by 3.3 per cent on Friday IPC index standing up 2.29 at

Equitles gained almost 7 per cent last week on a brighter outlook for US One analyst remarked that

the market had appeared to

have broken its bearisb

trend, and was now likely to target the 3,220 level. BUENOS AIRES was trading in a tight range by late morning and many brokers felt that the market would

EUROPE .

Hong Kong .....

Canada .....

NATIONAL AND REGIONAL MARK

USA ...

week's 10 per cent rally. The Merval index was off 1.12 at 553.37 by midday. The Merval index jumped

helped by the fall in US long bond yields and prevailing optimism over the recent replacement of the former economy minister, Mr Domingo Cavallo. The market's gains at the

end of last week were also belped by positive tax revenue data for July. SAO PAULO was weaker

at the mldsession point, almost erasing last Friday's 1.4 per cent rise. The Bovespa index was down 833 or continue this pattern as 1.3 per cent at 62,803.

\* change | % change

+5.91

+3.69

-2.49

+5.81

-3.47

+7.58

+18.28

-11.92

-0.87

+0.43

+8.43

+0.59

-1.56 +15.50 +5.60 +4.73 +4.04

+5.21

+3.00

-3.14

+10.36

+5,11

-4.11

+6.86

-12.51

Local Local Currency % chig Index on day

Tokyo	Wer
Last Friday's strength on Wall Street helped the Nik-	S
kei average recover the	bric
21,000 level for the first time	POT

The 225 index rose 137.06 to 21,077.47 after moving between 21,019.80 and 21,188.10. The rise on Wall Street calmed lingering concerns over a possible shift in the Bank of Japan's monetary policy.
Volume totalled 231.3m

Emiko Terazono in Tokyo.

sbares, the lowest for the year. Fund managers were away for summer vacation and activity was dominated by arbitrageurs, said traders. Overseas investors, who bad been leading sellers, bought large capital steels and ship-builders but domestic institutions remained on tha

Tha Topix index of all first section stocks rose 3.91 to 1,601.88, while the Nikkei 300 gained 1.00 to 297.87. Advances led declines by 597 to 438, with 181 unchanged.

supported the sector. Hitachi rose Y8 to Y995, and Sony

US

Pound Sterling Indica

195 73 138 73 157 50

Grose Div. Yield

ctric up Y13 to Y640. peculative favourites e mixed. TYK, the fireck maker, fell Y10 to 120 but Nichiboshin, the n-bank money lender, rose Y80 to Y375.

rose 38.23 to 22,114.70 in volume of 38.3m shares. Kanematsu NNK, the speculative favourite, plunged Y480 to

Awaiting HSBC results after the close, HONG KONG climbed 1 per cent in spite of profit-taking later in the day. The Hang Seng index rose 109.46 to 11,071.43 in turnover of HK\$5.3bn.

HSBC and Its subsidiary Hang Seng Bank, saw profittaking, with the parent risng HK\$1 to HK\$128, off a high of HK\$129.50, and Hang Seng Bank 55 cents to HK\$79 after HK\$80. Later, HSBC reported a higher than expected 32 per cent rise in

85 cents to HK\$23.35 on separate itsting plans for its erty interests. BANGKOK continued lts

#### gained Y40 to Y6,960. Elecrecovery, rising nearly 3 per Golds lift Jo'burg

Johannesburg was propelled bigher by golds as the price of builion rose to its best level in in three weeks. The overall index gained 82.9, or 1.2 per cent, to 6.776, with foreign institutions making substantial purcha

The gold index added 51.6 to 1,860.6 and industrials made 103 to 8,016.3. Among the main movers, Anglo was np R1.25 at R250.25. while Rembrandt added R1.75 to R40 and Gold Fields addedR5.50 at R137. Vaal Reefs nut on R6.50 to R377 and Western Deep Levels gained R4 to R178.

tric cable and wire makers cent on blue chip buying, in Tenaga Nasional, the elecwith the SET index up 32.61 at 1,137.44 in turnover of Bt5.4bn.

The gain was triggered largely by the announcement at the end of last week that a Bt21bn relief fund was being established by local In Osaka, the OSE average brokerage bouses and banks. Brokers said vesterday that the fund was expected to

> make itself felt later this Bangkok Bank was the most active issue, rising Bt6 to Bt218, while Krung Thai Bank gained Bt6 to Bt111. KUALA LUMPUR was belped by good May trade

figures, although overall sen-

timent was marred by a fall

tricity utility, due toheavy selling by institutions following a 16-hour nationwide blackout over the weekend.

Tha composita index advanced 10.12, or 1 per cent, to 1,106.29. Tenaga fell 45 cents to M\$9.75 with some analysts remarking that the latest powar failure could lead to the utility losing its monopoly.

BOMBAY fell back in spite of some buying by overseas investors. The BSE index slipped 28.95 to 3,482.68, bringing its decline since last month's budget to 8 per cent. Steels were active on a report that a 12.9 per cent tax, which was introduced in

the budget, might be with-

SYDNEY was stronger with most of the gains coming during the morning. The All Ordinaries index rose 25.1 to 2,233.7 in turnover of

Coca-Cola Amatil rose 14 cents to A\$15.55 ahead of first balf results expected

KARACHI, up 3.6 per cent on short covering last Thurs-day and closed on Sunday because of the death of a member, fell back with the KSE-100 index down 9.67 at 1.498.71: dealers blamed a delay in an IMF visit, caused

by budget haggling, and an

opposition strike call for

SEOUL's construction sector was weakened by news that Kun Young Construction bad defaulted on notes. Kung Young fell Won 240 to Won3.820; its main creditor, Seoulbank, Which said that it would extend an emergency loan, dropped Won100 to Won5,150 as composite index closed 0.22

MANUA saw strength in Ayala Land, up a peso to 47.50 after the government reported lower than expected inflation for July, but the composite index slipped 1.24 to 3,153.98 on profit-taking.

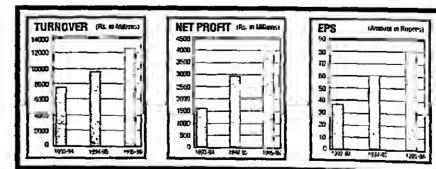
#### **Good Metal • Good Profit** In London, the ISE/Nikkei Utilities led the market +2.52 -1.17 +14.12 +6.61 -0.52 +11.83 +11.34 +3.65 +2.96 with a sector gain of 1.5 per 50 index rose 0.37 to 1426.94. Good People In steels and shipbuilders. cent. Hongkong Electric rose -19.69 +8.85 +6.03 Nippon Steel, the most 70 cents to HK\$23.90 ahead -2.46 -1.32 -6.24 -2.69 -3.65 active issue of the day, rose +10.06 +9.52 +9.83 of Thursday's first half earn-Germany ...... Ireland ..... +6.78 +6.08 10.85 Y4 to Y364 and and Ishlka-+3.09 +4.65 +0.46 +3.64 +4.30 +1.33 vajima Harima Heavy Indus-Great Eagle Holdings rose +12.54 +9.65 Hindalco-The well known producer of Aluminium Metal and Semis in India. tries Y14 to Y537. +6.18 +18.86 +12.85 +6.01 The rise in high-technol--2.03 -0.84 -3.81 +0.69 +12.96 +9.68 +14.02 ogy stocks on Wall Street +1.93 +25,10 +7.70 +9.97 +8.34 +2.79 +7.10 +4.28 +3.58

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31.03.96

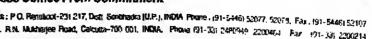
(Rs. in millions)

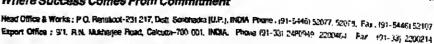
For the

	year ended 31.03.96	year ended 31.03.95
rofit before tax	6411.46	4299,28
rovision for tax	2400.00	1380.00
rolit after tax ncome Tax refund for	4011.46	2919.28
earlier years rofit available for	· _	0.20
Appropriation	4011.46	2919.48
ppropriations: ransfer to Debenture		
Redemption Reserve	163.60	163,60
roposed Dividend	297.86	257.63
ransfer to General Reserve	3000.00	2498.26
alance carried forward	550.00	
	4011.46	2919.48









#### | Dollar | Sterling | Yes | Dollar | Correctly 2 weeks 2 weeks 2 weeks 3 gro | Index | Index | Index | Index | Index | High | Low (Inperva) | Index | Index | Index | Index | High | Low (Inperva) | Index | I | Index | Inde 1.90 2.07 1.69 3.16 1.83 2.43 1.74 1.74 1.77 2.06 1.49 2.25 3.21 1.49 2.25 3.21 4.17 2.48 1.62 2.43 lang Kong 411.36 514.40 935 03 10025.66 228.24 224 77 64.33 65.07 191.93 216.23 158.41 259.15 300.01 254.88 259.04 330.06 .1215 95 375.56 283.96 350.07 324.09 277.91 259.04 173.02 121.67 138.29 339.80 238.96 271.59 234.99 165.25 187.82 141.62 99.59 113.19 225.30 159.14 180.88 259.33 182.37 207.27 171.51 343.90 182.39 144.46 226.50 ..179.98 2.1 2.9 0.9 0.9 1.8 ind (37) ... 264.67 251.99 178.60 202.76 264.67 276.47 226.74 228.06 241.86 230.27 163.21 185.29 203.39 252.43 208.19 209.20 209.90 199.85 141.64 160.80 179.81 213.30 189.33 198.39 300.57 286 18 302.81 230.27 256.68 308.61 261.13 280.50 162.38 154.60 109.58 124.40 112.24 177.01 148.86 159.67 182.06 173.34 122.88 139.48 137.81 190.57 185.51 175.91 258.03 245.67 174.12 197.68 257.42 269.52 221.79 223.05 189.36 162.39 234.52 124.84 238.91 166.60 203.16 142.87 207.26 181.96 1.9 1.2 2.19 3 10 2.37 1.21 2 12 2.20 2.54 3 04 2 12 1.95 Americas (791)..... 293.41 206.33 234.52 156.20 109.84 124.84 175.65 123.52 140.39 252.74 177.73 202.00 185.55 130.48 148.30 267.32 187.99 213.66 262 31 156 16 241.50 143.28 19 14 1.1 0.7 1.3 1.6 257.42 269 52 221.79 164.08 194.86 169.65 238.85 296.68 243.59 142.23 191.55 187.36 190.93 181.79 128.84 146.27 275.02 261.85 185.59 210.70 183.07 174.30 123.53 140.25

228.58 162.01 183.97 \_243.54 1.1 202.31 142.27 161.70 179.65 1.2 2.15 208.22 198.25 140.51 159.52 177.45 214.95 188.48 192.34

141 29

- 1

#### **TECHNOLOGY**

ena hunters all over the world are surfing the internet looking for snippets of DNA that will guide them to cancer genes, infection-causing proteins and the keys to a host of genetic

There are now so many Web sites for genes linked to various diseases that researchers who do not learn how to surf the Net may miss out on a scientific gold rush that is transforming the way biologists do their work.

"It is such an exciting area that somehody who isn't using the Internet right now will be left hehind," says Scott Kern, a researcher at Johns Hopkins University in Baltimore, who recently identified a gena that activates pancreatic cancer.

The volume of DNA sequences being dumped daily on to the Net prompts Kern to speculate that hy the end of next year most newly identified genes will be cloned with the aid of these

He and many other researchers talk about doing "virtual clon-ing" and "armchair genetics" because they can use libraries of DNA to deduce the presence of a gene without doing much laboratory work. "It takes the drudgery out of cloning," says Kern.

It is becoming common for editors of "peer-reviewed" scientific journals to ask researchers to deposit their sequences in a data-base – which are accessed via the Net – hefore publishing thair articlas. The number of sequences deposited in GenBank, the repository run by the National Centre for Biotechnology Information, for example, is doubling every 12 months, says David Lipman, who heads the centre. Until 1995, the doubling time was about 21 months.

Government-funded gene data repositories have opened in Japan and Europe, and along with the GenBank, all three centres exchange newly deposited DNA sequences with one another on a daily basis. GenBank receives 30,000 requests for information via the Internet each day. Biotechnology and pharmaceo-

ccess to online databases has revolutionised the A speed and effectiveness of research at Peptide Therapeutics, the Cambridge-based company which aims to identify therapies for common diseases such as asthma, arthritis and meningitis.

Richard Scott, whose work involves experimenting with models of molecules to. manipulate their structure. reckons his time to be about 20 times more effective with the

The Internet is enabling gene hunters to tap into

a global database, writes Marjorie Shaffer

# Genetic gold rush

tical companies have also begun to realise the potential of genetic databases, and are recruiting researchers who can design computer programs to sift through the databases. "Every biotechnol-ogy company now has some kind of genome ntilisation project under way," says Frank Calzone, a researcher at Amgen, the biotechnology company based in California. "Wa aure couldn't work without these databases, he says. A genome is the blue-print or "map" of a living thing's

Gene hunters have already benefited from using clues from DNA sequences posted on the Net. The international group that recently discovered the breast cancer gene BRCA-2, for example, searched for the gene in the same region of chromosome 13 where one of the genes for pancreatic cancer lies. And mutations in BRCA-2 among families with a history of breast cancer were far more easily identified because groups at Washington University School of Medicine in St Louis and the Sanger Centre near Cambridge in the UK, put the entire sequence of the region containing the breast cancer gene directly on to the Net.

The Internet is indispensable at this point," says Robert Waterston, who heads the Genome Sequencing Centre at Washington University, which is unravell-ing parts of the human genome and is collaborating with Sanger to unlock the genetic blueprint of

"I use the Internet to log on to

up-to-date databases containing

structures," he says. "Before the Internet such databases would be

sent on disc or tape in the post

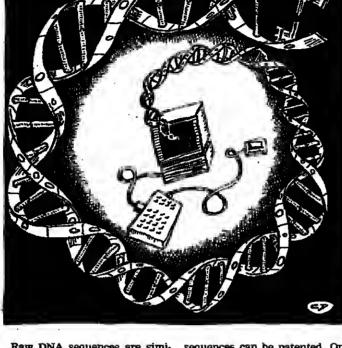
cost more to access less reliable

information in an industry where

and updated only every six months - so it took longer and

speed to market is vital."

three-dimensional molecular



Raw DNA sequences are simi-lar to hieroglyphics without the Rosetta stone; they may contain hundreds of genes but are meaninglese babble until properly interpreted. Although biotechnology companies have submitted many thousands of sequences to the US Patent Office, the office

The company connected to the

Internet in November, using a

line from UUNET Pipex, the blg

Peptide hooked up to the Net

because it believed this would

transform its communications

terms of speed and cost. "E-mail

and information gathering in

European Internet service

sequences can be patented. Only genes, so far, have been patented. Waterston believes that DNA sequences should be released rapidly over the Internet and made available to anyone who wants to use them. "Clearly, you need to patent at some point before drug companies will invest. But at this

# A speedy researcher

is an essential tool in our industry, and many of the high-speed, high-bandwidth ISDN applications available oo the Internet free and by subscription provide competitive advantage, says Ian McKendrick, the

company's network manager Terry Hart, director of medicinal chemistry, says "tools available over the Net are saving us millions. For example,

stage and there is such a wealth of information in these sequences that it is inappropriate and counterproductive to lock it up in the hands of a few companies.

"We are generating about 1m to 2m base pairs a month and we submit [the data] over the Internet for anybody in the world to see and inspect," says Waterston. (Base pairs are the huilding blocks of DNA.)

Under an agreement with Merck, the big US drug company. the Washington University group is also deciphering random bits of geoetic information culled from human tissues such as the brain, liver and spleen and Is seoding its results immediately to GenBank. Merck is collating the information for its Gene index, another public database.

The Merck agreement has partly closed the information gap between sequencing companies such as Human Genome Sciences in Maryland and publicly available databases such as GenBank, according to Kern. "I think that Merck really levelled the playing field for everybody. The genomic data being compiled by compaoies is increasingly worthless because much of that work has heen copied by others and is available publicly," he says. On the other hand, outsiders

do oot know exactly what sequences companies do bave. Meanwhile, pharmacentical and biotechnology companies are combing through the genetic maps of infectious organisms hoping to find new targets for vaccines and medicines. And there have already been cases where researchers have not put sequences into public databases until patents were filed.

But at this point, Waterston argues that it will take many years for companies to produce medicinea hased on genome sequencing, "People talk about the rapid release of sequences as a danger to the blotech industry," be said. "I think it is just the opposite. If you don't have the sequences out there for everybody to see, the chances for discoveries to benefit buman health will go way down.

Scifinder, which searches for information oo the Internet and costs just \$18 [£11.50], can quickly access all the information published in the Chemical Abstracts Database over the last 30 years at the cost of a local phone call." The company has also

established an Intranet - which has allowed full sharing of informatioo internally, says Peter Laing, director of research

Today, at the ISPO sports equipment exhibition in Munich, Kelvio Doyle, a UK physics graduate and entrepreneur, is due to unveil the Panther Knee Protector, which he believes to be a cost-efficient and effective solution to the design problem. Several sports injury experts and academics

who bave seen the prototype The key to the design is an arrangement of three separate hinges which ensure that the brace does not impose its own pivot on the knee, A sliding bearing allows the lower section to rotate, while a rigid strap round the back of the

npper section keeps the brace firmly in place. Collectively, these elemeots make the design unique, says Doyle, and give protection from injury without compromising the user's mobility - the knee brace will weigh only between

7oz and 10oz. This is crucial to the prod-

offer some stabilisation to

larger medical-type braces with

metal bars down both sides and

The problem for designers

however, is that the knee has

no single pivot or hinge because of its rolling actioo. A

knee brace that imposes its own centre of rotation could restrict

e player's action or begin to

move about on the leg.



Joint venture

for knees

Andrew Baxter on a new design

uct's commercial future, as sales will be much higher if the product is used widely as a preventative brace rather than one that is applied only after ao injury. For this reason, the Pan ther hos to appeal to image-con scious sporting types and not look too "medical",

Since 1994, Doyle has been working closely with Mike Dewar, senior research fellow at University College London, who has been supervising pro totype development. The brace has been uodergoing field trials in Europe and, from September, two nanamed National Football League and National Hockey League teams in the US will be

trying it. The knee brace will be made of carbon-fibre or less expensive reinforced plastic, and come with or without a kneecap cover. Prices will range from £250 to £750, although bespoke versions will be more expec-

Mannfacturing is due to begin this autumn, says Doyle. with assembly by his own company. Doyle Maoufacturing Corporation, from parts made by subcontractors. A nonexclusive deal is being arranged for Vulkan, a Swedish manufacturer of flexible knee braces, to distribute the Panther worldwide, ontside the US.

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Bids shall be submitted at 02:00pm on August 22nd, 1996, at the following address: República do Chile, number 65 - 11th floor, office 1176 - Rio de Janeiro City/RJ, Brazil.

Companies may ask for further information about the services, conditions and get the bid package from July 22, 1996, at República do Chile, number 65-11th floor, office 1101. The bid package can be obtained for the equivalent price of R\$35,00 (thirty five Reais) and with the exhibition of letter containing company data (firm name, registration of corporate taxpayers, complete address, phone number, fax and name of the person for contact).

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- 3. You can get the documents and technical information every day from 12.00 to 15.00 o'clock at procurement brench at Ministry of Defance, al this addrass ' MINISTRIA E MBROJTJES, BULEVARDI \*DEH\$MORET E KOMBIT TIRANE\*. To ge the documants you must pay 200 USD to the above
- Letter of bid must be handed not later then 8.9.1996 at 1500 o' clock or direct to estimation commission of offer to date 9.9.96 at 1000 o' clock. At this time the tender will open and you are invited to participate.
- 5. Bidder, who will be the first place and will not agree to sign the contract will confiscate the offer insurance.

PROCUREMENT COMMISSION

#### **CONTRACTS & TENDERS**

AB



OFFICE DES PORTS AERIENS DE TUNISIE (Tunisia's National Ports Authority)

#### International pre-selection notice

The Office des Ports Aèriens de Tunisie (OPAT) wishes to lease, under the rule of Temporary Occupancy of Public Property, dutyfree shops for international travellers at arrival and departure gates in the following airports: Tunis - Carthage; Monastir Habib Bourguiba; Djerba- Zarzis; Sfax-Thyna; Tozeur-Nefta and 7 Novembre Tabarka.

Interested parties may obtain the relevant files, which contain the specifications book and appropriate documents, from the following address, during working hours - Monday to Friday: 8 a.m. to 12:30 p.m. on payment of 1,000 dinars:

> OPAT, Bureau Nº 38, Aéroport international de Tunis-Carthage, Tunisia.

Tenders should be placed in two sealed envelopes. The outer envelope should only be marked: "Do Not Open - International Tender to lease duty-free shops." It should also contain the following documents:

1) A valid social security affiliation certificate (for local tenderers);

2) A valid attestation proving compliance with the Directorate of Taxes (for local tenderers).

The inner envelope should bear the tenderer's name and contain the documents indicated in Article 30 of the specifications book (clauses particulières).

#### For local tenderers:

- The provisional banker's draft can be settled in Tunisian dinars for the equivalent of 150,000 Ecus;
- The non-bankruptcy/legal prevention certificate may be replaced by a written pledge.

Only parties which have obtained the relevant files and registered their name at OPAT can participate in this pre-selection. Tenders should be sent to the following address by registered mail:

Monsieur le Président Directeur Général de l'OPAT.

Tunis-Tunisia. Tenders should be received by the OPAT's Bureau d'Ordre Central no later than 12:30 pm on August 5, 1996.

Aéroport International de Tunis-Carthage,

The seal of the OPAT's Bureau d'Ordre is proof of date.

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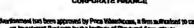
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Interested parties may obtain further information on the Coffee Marketing Board Ltd. from the Director, Privatisation Unit, Ministry of Finance, 14 Parliament Avenue, P.O. Box 10944, Kampala, Uganda; Telephone, (256-41) 256-467/256-392/230-300; or fax (256-41) 259-997. Interested Parties may additionally receive written authorisation from the Director of Privatisation to visit the Company on the basis of which additional information may be provided by the Management of Coffee Marketing Board Ltd.

All bids must be for 51% of the shares of the Company and are due no later than 26 September, 1996.

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14 Kaya 11 -

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THE PUBLICATION

ere is the elagant

homestead, with its

panorama of lake and

woodland, where the

reat Russian emigre conductor

Serge Koussevitzky prepared his

scores every summer. Down the

hillside, next to a wooden hut,

are the benches where Leonard

Bernstein and Aaron Copland

used to sit during breaks in their

A little further on, you can see

the boathouse where Paul Hin-

demith gave composition classes.

And across the lawn from the

Shed, on the wall of the original

manor house, is e copy of Benja-

min Britten's letter to Koussey

itzky, dated Fabruary 15 1942, in which be says: "I don't know

whether I can convey to you the

excitement and gratitude this

commission [Peter Grimes] gives me. I find it difficult to think of

This is Tanglewood Music Cen-

ter, situeted in the Berkshire

hills of Massachusetts about

three hours' drive from Boston.

With its serene landscape, infor-mal atmosphere and simple ame-

nities, Tanglewood is a placa

where musicians love to work. Koussevitzky founded it in the

late 1930s with two aims: to pro-

vide a summer home for his

orchestra, the Boston Symphony,

teaching schedule.

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# Nostalgia for 'Peter Grimes'

for advanced training, attracting Where else can students rub

bright young musicians. Koussevitzky's ideals are cherished to this day. Every summer, up to 400 students live and work alongside principal players of the BSO and distinguished guest teachers, all united in pursuit of musical excellence. The focal point of their activities this year was a 50th anniversary produc-tion of Peter Grimes, the work which put Tanglewood on tha map after the second world war. The production was full of ech-

oes of the past. As in 1946, when Tanglewood gave the American premiere under the youthful Bernstein, it was sung by students, with an orchestra of young professionals. Tanglewood's rudimantary theatre is much the same as it was then, and the performance I heard last week captured the honest spirit that critics singled out 50 years ago.

Tanglawood really is uniqua. What other leading orchestra combines its own festival with an and to he the site of an academy advanced training programme?

shoulders on a daily basis with world-class performars? And what other festival is so remote and yet so high-powered? In fact, the canopy of trees

across the Berkshire hills camouflages a large, cultured popula-tion, most of them New Yorkers and New Englanders on holiday. Victorian timher cottages abound, and there are many small-scale theatre and chamber music festivals. Tanglewood overshadows them

all. The hig draw is the programme of weekend concerts in the Shed – a large open-backed euditorium shaped like e fan, allowing picnickers to listen from the surrounding lawns. Some of the programmes are very ordinary; some are poorly rehearsed. But to focus on the symphony concerts alone would be to miss the spirit of Tanglewood. The place is a hive of round-the-clock activity, of open rehearsals, pri-

vate tutorials, chamber music

sessions and frenetic study. This

inauguration two years ego of Seiji Ozawa Hall, a 1,180-seat showcase for student concerts, masterclasses and recitals. With its barn-like roof, red

brick walls and wooden verandas, tha hall has the air of a New England meeting house, blending perfectly with its surroundings. There are no interior walkways: tha doors lead directly on to the lawn and are made of glass, so that the audience does not feel closed in. in true Tanglewood style, the back wall opens up so that others can listen outside. Here is a musician's paradise, with an acoustic to match - a rare blend of clarity, depth and

Ozawa Hall, named after the BSO's long-serving music direc-tor, was made possible after the purchase of an estate adjoining Tanglewood, oearly doubling its groundspace. Without it, this summer's Peter Grimes would not have taken place. It has released

intimacy.

purpose for which it was huilt in ues to grow as a conductor. Run-1941 - student opera performances.

in its early years, Tanglewood's opera course was the only one of its kind in the US, its alumni including Leontyne Price, Shirley Verrett and Sherrill Milnes. When Erich Leinsdorf closed It in the early 1960s, to concentrate resources on other student pro-grammes, the theatre pit was covered, and other festivals notably Santa Fe - stepped in to fill the gap. Tanglewood's vocal programme focused instead on Lieder and oratorio, and the theatre became e venue for student

Now that Ozawa Hall has taken over that function, a debate has been sparked about how far Tanglewood should revive lts opera programme. There are many arguments in its favour: the theatre itself has an acoustic of thrilling immediacy; vocal training which ignores opera is incomplete; and Ozawa's theatre work

concerts.

side of Tanglewood has had a the Tanglewood theatre for the is the one area where he contin-higher public profile since the purpose for which it was huilt in ues to grow as a conductor. Running against these arguments is the fear that opera might change the character of Tanglewood and swallow too much money.

Peter Grimes seems to point the way forward. It was enough of a success to justify future productions, perhaps every two or three years. In between, less ambitious projects could be tackled.

First, however, there are some essons to be learned. Instead of allowing the Grimes anniversary to become an exercise in nostal-gia, Tanglewood should have commissioned a new opera - a gesture which would have shown faith in the future, just as Koussevitzky did in 1942.

And the production should bave reflected Koussevitzky's desire for "new slage and production techniques, new methods and new attitudes, all leading to a more vital presentation of music drama"

Instead, what we saw was a wooden staging, offering minimal

Insight into character and drama. The decor - a stone façade for the indoor scenes, a pier-platform for outdoors - provided a versa-tile setting, but lighting and costumes were unimagnative. The chorus did little but stand, sing and spectate, and Grimes was portrayed as a violent misfit. with no redeeming traits.

In compensation, the musical interpretation was unfailingly precise - particularly in the big cboral numbers. The Tanglewood Music Center Orchestra gave ao energetic, virtuoso account of the score: Ozawa's commitment was audible in every bar. The astonishing aspect of the performance was the way the spirit of Lennie seemed to hover over the interludes. Here were the jazzy rhythms and syncopations that Britten unwittingly absorbed dur-

ing bis American sojourn.

Notwithstanding the mild impact of Grimes, I was loath to leave Tanglewood. I wanted to stay to hear Stockhausen's Mantra this weekend in Ozawa Hall, to eavesdrop on Yo-Yo Ma's cello masterclasses, to talk to Fellows of the composition faculty, to watch Bernard Haitink preparing Daphnis et Chloe. These and other pleasures must await my return another year.

Andrew Clark

#### Theatre/Ian Shuttleworth

# Hedda stays ahead of pack

mance in the title role of Libsen's play Hedda Gobler has been feted long before the production's arrival in London, Hers is a very different Hedda from the norm. We are used to seeing the character portrayed as a woman probably indulged in her younger days by her late father, the General (whose portrait hangs here in tbe upstage closet of Pamela Howard's striking design), stifled hy her marriage to an arid scholarly wimp and keeping her natural

passions in check with difficulty. Gtlbreath's Hedda is all cool patrician reserve, ramrod-hacked and speaking with a palpably con-trolled affectation of languor. One gets the feeling that her fondness ) for playing with the General's pistols derives not from tomboyish licence in her childhood but because she grew up in a milieu where handling guns was a natu-ral recreational ectivity. When she first encourages former lover him to take the grandly romantic seems not to ba motivated hy either heartfelt desires or reckless capriciousness but rather someone who simply cannot conceive of not the pack. getting her own way with others.
In Staphen Unwin's English
Touring Theatre production, Hed-

lexandra Gilbreath's perfor- than usual. Crispin Letts invests Jorgen Tesman with more backbone than the normal characterisation as a clownish swot. His dedication to his aunts (Ann Firbank giving a fine, perfectly neutral performance as Aunt Julia) is a matter of familial duty rather than

apron-string devotion. All of which said, Unwin's production does not quite spark. Gilbreath's characterisation, although hrilliant, leaves faint credibility gaps when she begins to envisage vine leaves in Lovborg's hair and when events overtake her in the final act: the outbreaks of shocked realisation clash with her customary composure rather than integrating into a continuous degenera-

Jonathan Phillips is a little too self-conscious to be as dashing as Lovborg is required to be, and David Killick as Judge Brack, while skilfully matching Hedda's urbanity throughout, underplays the final movement in which she Ejlert Lovborg to return to his old finds herself entrapped in his rakehell ways and later exhorts silken web. Nevertheless, in the trade-off between-clarity of behavway out of his despair, this Hedda iour and potency of emotion, this version (in a translation by the increasingly ubiquitous Kenneth McLeish) comes out well ahead of

At the Donmar Warehouse, London EC2, until August 31 (0171-867 da's hushand has more to him 1150).



Cool reserve: Alexandra Gilbreath in 'Hedda Gabler'

#### lbert Lamorisse's poignant, virtually wordless 1956 film about a lonely young boy trailing after a balloon through the Paris streets is one of the great cinematic shorts. The screenplay went through 42 drafts. Anthony Clark and composer Mark Vibrans's musical version is now in its fourth incarnation after stagings in Manchester, Bristol and Birmingham. With each revival, its creators have re-

theatrical possibilities. Messing with masterpieces is a risky business. Turning e film like Les Enfants du

adapted the show tailoring it

#### Theatre/David Benedict

A balloon full of wonder

#### Paradis into a play or crushing the comic genius of Some Like It Hot into a Tommy Steele musical reveals a disregard for laws about form and content. "If it ain't broke, don't fix it" is a more than useful rule of thumh. Yet for all the turkeys, there

are a handful of triumphs.

to each space and tapping Red Balloon another.
Instead of building the into ever more inventive illusion by hiding the technology, Clark, who also

halium-filled halloon is rods, in the manner of a stunt-kite. Ironically, this the splendidly stern Mile heightens the all-important Elaine (Joanna John). sense of wonder and magic.

My Fair Lady is one; The Designer Ruari Murchison capitalises on the opan stage, with the children chasing the balloon up enormous pieces of set, and he

the mechanics involved. Tha ideas for the different locations. The school is repreguided by a silent, lithe per-sented by an enormous formar (Malcolm Shields) blackboard with windows who controls it via lengths sketched in with chalk. And of wire attached to two short the cast is squeezed on to e couple of benches in front of

Clark refuses to shy away from the melancholic mood and his cast eschew the patronising tone which can afflict children's theatre. Excluding giggles of surprise directs, is at pains to display also comes up with witty and delight at Pascal's stray ber clear, pure, singing (0171-928 2252).

cat "pooing" on the carpet or laughter at the antics of the balloon "with e life of its own", the very young audience I was with remained rapt and silent throughout

the hour-long first half. With her wide gamine features and straight hair, actress Nicky Adams's Pascal looks as if she were plucked straight out of 1950s Paris. She invests Pascal with e remarkable openness and simplicity which carries into voice. Vibrans's evocative music, scored for woodwind, horn, keyboards and percussion is largely responsible for the show's spellbinding, mysterious tone.

Whether it's the embodiment of an imaginary friend, a symbol of innocence, experience or even death, the balloon's significance is never explained, which is the reason for its overwhelming resonance. None of the children could have cared less about its "meaning". The adults? By the heartstopping climax, everyooe I could see, myself included, was in tears.

At the National Theatre

#### Sponsorship

# Inner-cities gain funds

to extend its influence ⊿by the day. Two weeks ago prime minister John Major threw millions of pounds the way of sports training, and last week heritage secretary Virginia Bot tomiey said it was lottery money that would technologically transform the UK's museums. Yesterday innercity generation, under the loose disguise of arts expenditure, received the magic

touch. The Arts Council bas given £13.75m to the chronically deprived Loodon borough of Newham to transform its dreary centre at Stratford. Much of the money will go to the Theatre Royal, Stratford East, which gains a new back stage, and rehearsal and office facili-ties. There will also be a new performing arts centre as part of the £18.6m scheme.

nised for its arts culture in the past, Luton, gets £3.5m to create e visual arts gal-lery, dance space, recording studio and more in Bute Street; Kirklees in West Yorkshire can now convert a 19th century Methodist chepel in the town centre into an arts venue, with a £1m grant; while Interchange. one of the great names from the past in alternative arts. has been awarded £4.85m to establish a community based arts centre in the old Hampstead Town Hall.

All told the Arts Council announced 66 grants yesterday, totalling £41m. Among the main awards were £3.2m to enable the Royal Exchange Theatre in Mancbester, bedly dameged in the recent IRA bombing, to buy the lease of the theatre, which will he refurbished. and £2.7m for Wavendon, the music centre near Milton

Keynes.
This award will probably arouse some tabloid fury since Cleo Laine, who with busband John Dankworth

ottery funding seems has laboured long to build up Wavendon as a leading music education centre, sits on the lottery panel. But the panel would be quite unprofessional if it did not unclude movers and sbakers in the arts world, and the arts would suffer if such activists

were not planning to expand

their activities through lot-

tery money. Among the awards distributed yesterday with great potential was the £\$0,000 for the LSO to undertake a feasibility study to convert St Luke's Church, close to its Barblcan beadquarters, into an education centre. The planned multi-million pounds scheme will enable the LSO to take educatioo projects into schools throughout the UK. The church will also provide recording and rehearsal

facilities. The ability of lottery Another area not recog-money to go straight into the creation of art, or at least into the pockets of artists, was illustrated in a raft of commissions. The South Bank Employer's Group receives £850,000 to help improve the look of this part of London with new art; Durham Cathedral can now ask American video artist Bill Viola to create a work. thanks to a £97,000 grant: Andy Goldsworthy gets the go ahead for his plan to create 100 sbeepfolds-comesculptures in the north, with a £342,000 grant; and eight Hackney sbare £141,180 to create art works for Hackney Community College.

The Arts Council Is keeping a keen eve on the money it commits, in theory, it has distributed £494m so far to 857 projects. But less than £70m of this has actually heen handed over. It pays the bills for work done, not for projects planned.

> Antony Thorncroft

# INTERNATIONAL

#### AMSTERDAM

**EXHIBITION** Stedelijk Museum Tel: 31-20-5732911 Cobra en het Stedelijk; exhibition of paintings and sculptures from the museum's collection by participants of the international art group CoBrA. The approximately 150 works on display span the period from 1948 to 1962. Included in the exhibition are 17 works by Cornelle that were donated to the museum by the artist last year; to Sep 15

#### **■ BASEL**

EXHIBITION Kunstmuseum Başel Tel: 41-81-2710228 Canto d'Arnore. Klassizistische Moderne in Musik und bildender Kunst 1914-1935: axhibition focusing on classicist modernism in music and visual arts. The displey features more than 100 paintings, drawings and sculptures from international museum and private collections,

as well as musical acores from the collection of the Paul Sacher Foundation. The ahow includes works by Picasso, Matisse, De Chirico, Dall, Bonnard, Maillol and Léger; to Aug 11

#### **■ BREGENZ**

CONCERT Bregenzer Festspiele - Festspiel und Kongresshaus Tel: 43-5574-4920 Nacht by Haas. Concert performance by the Klangforum Wien with conductor Peter Rundel. Soloists include soprano Julie Moffat, mezzo-soprano Waltraud Mucher and tenor Halmut Wildhaber. Part of tha Bregenzer Festspiele; 8pm; Aug

#### **■ BRUSSELS** EXHIBITION

Palais des Beaux-Arts Tel: 32-2-5078466 L'art en résistance. Peintres allemands de l'entre-deux-guerres; exhibition of works by German artists, created between the wars. The display includes 200 paintings and drawings by artists such as Max Beckmann, Otto Dix and Georges Grosz, giving an overview of German art in this period. The works come from the collection of Marvin and Janet Fishman, to Sep

#### ■ COPENHAGEN

EXHIBITION

The Royal Cast Collection Tal: 45-33 91 21 26

 Inspiration in Plaster. Antiquity and the Danish Golden Age: in the heydays of the Danish Golden Age (1820-1850), the art of painting played an active role in the shaping of bourgeois values and norms. The new norms included a change in the view of the human body. Nudity and sexuality were made into taboos. while "modesty" and "virtuousness" gained new importance. Nevertheless, tha

Royal Academy'e collection of plaster casts of Greek and Roman nude statues was an important inspiration for the Golden Age artists. This exhibition focuses on tha peculiar circumstance that the quasi-religious idolisation of the naked human body by a remote ancient culture could influence people's attitude to the naked body; to Aug 11

#### ESSEN EXHIBITION Museum Folkwang Tel:

49-201-8845314 Pedro Cabrita Rais. Installationen und Zeichnungen: exhibition of works by tha Portuguese artist Pedro Cabrita Reis. The display features approximately 15 installations and 20 larga scale drawings, that were created in the past five years; to Aug 11

#### LONDON

CONCERT St. Martin-In-the-Fields Church Tel: 44-171-9300089

 London Concert Sinfonia: with conductor John Landor perform works by Vivaldi, Pachelbel,

Handel and Mozart; 7.30pm; Aug

#### EXHIBITION British Museum Tel:

44-171-6361555 20th century Chinese Painting: Tradition and Innovation: a retrospective display of paintings using the Chinese media of ink and colour on paper from 1900 to the present day. The display includes more than 130 paintings drawn from collections in Hong Kong, Southeast Asia and North America; to Sep 29 Royal Academy of Arts Tel: 44-171-4397438

 Roger de Grey - Painter: an exhibition of the work of Sir Roger de Grey, President of the Royal Academy, who died in Fabruary 1995. The exhibition includes paintings and a selection of drawings; to Sep 22

#### **■ LOS ANGELES**

EXHIBITION Humtington Library, Art Collection and Botanical Gardens Tel: 1-818-405-2100 Landmark in Printing Collecting: Masterpieces from tha British Museum: the first exhibition of 100 prints selected exclusively from the British Museum's collection to travel to the United States. Tha show features works spanning the history of western printmaking from rare 15th century German woodcuts to American etchings and lithographs of the 20th

#### century; to Sep 29

JAZZ & BLUES Hollywood Bowl Tel: 1-213-850-2000 American Airlines Jazz at the Bowl: featuring The Manhattan Transfer, Tha Shirley Horn Trio and The Turtle Island String Quartet; 7.30pm; Aug 7

#### **LOS ANGELES-MALIBU EXHIBITION**

The J. Paul Getty Museum Tel: 1-310-459-7611 Roger Fenton: The Oriental Suite: the first axhibition devoted to the little-known "Orientalist" series by the British photographer Roger Fenton (1819-1869). These 45 images by Fenton and some of his contemporaries in photography and watercolour reveal a fascination with the Islamic world of the Near East, which was seen and portrayed as mysterious, languorous and sensual: to Oct 6

#### ■ NEW YORK

THEATRE John Jay Theatre Tel: 1-212-721-6500 Endgama: by Beckett. Part of The Beckett Festival, which features all 19 of Samuel Beckett's stage works, performed by the Gate Theatre of Dublin; 8pm; Aug 9, 10, 11 (also 4pm)

PARIS EXHIBITION

#### Centre Georges Pompidou Tal: 33-1-44 78 12 33 Gaetano Pesce: a

retrospective exhibition devoted to this artist, feeturing furniture, objects and architectual projects; Musée d'Orsay Tel: 33-1 40 49 48 14

 Photographiea de paysages: exhibition featuring 40 19th century landscape photographs; to Sep 15

#### ■ SALZBURG CONCERT Internationale Stiftung

Mozarteum Tel: 43-662-873154 Nicolai Gedda: accompanied by planist David Lutz. Tha tenor performs songs by Schubert, Grieg, Dvorák and Rimsky-Korsakov. Part of the Salzburger Festspiele; 7.30pm; Aug 9

#### ■ VIENNA EXHIBITION Museum für Angewandte Kunst

Tel: 43-1-71136 Light Materials. Taxtiles from tha Biedermeier Period 1800-1850: exhibition featuring Biedermeier textiles from the holdings of the Museum für Angewandte Kunst, Also on display are engravings and drawings of fashion designs; to

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popular island, thanks to lts turquoise sea. distinctive wbitewasbed

architecture and uninhibited nightlife. But the race back from the beach to watch the sunset from a bar or hotel balcony dispels its image as a place for lotus-eating.

At 7pm on a summer even ing, the rush hour outside Mykonos town would be familiar to any city-dweller. The streets are jammed with shiny four-wheel drive vehicles and motorcycles, jostling their way past a fleet of elderly buses disgorg ing bolidaymakers after a day of sunbathing.

Each year, the island's 7,000 residents are hosts to some 800,000 visitors; on most days in July and August more than 40,000 people are crammed into hotels and rented rooms. Several thousand additional tourists land daily from cruise sbips. Most visitors are foreigners, but many Athenians also come to enjoy what they claim is Greece's only sophisticated

resort.
"We have a short tourist season," says Mr Andreas Fiorentinos, deputy mayor. "So everyone working here has to make their yearly income in the space of about

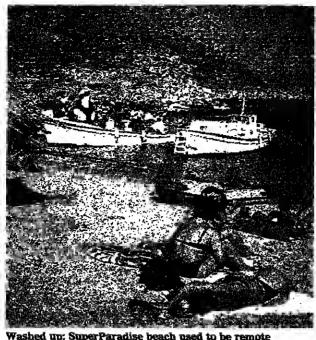
But the influx brings the island'e slender resources close to breaking point.

Power blackouts are frequent and the island suffers from a water shortage, with some hotels relying on supplies delivered by a tanker truck. Desplte round-the-clock efforts to keep the town free of rubbish, many whitewashed alleys are grimy and littered with discarded beer cans.

"The season can't he extended even by a few weeks until we get the proper infrastructure," says Mr Fiorentinos. "What there is dates mainly from the 1950s.

The town council has ment with the help of crowded and character- made the islanders wealthy:

**Kerin Hope** on the divisions over developing Mykonos, an island at breaking point



Washed up: SuperParadise beach used to be remote

Dr9.5bn (£26m) in grants from the European Union. The EU provided money for wo projects already completed: a digital telephone network and a sewage plant. one of only a handful of treatment facilities on Aegean islands.

However, some year-round residents and visitors who discovered Mykonos as a jetsetters' haunt 25 years ago have objected. They argue that not only will the projects - including improved port and airport facilities and new roads - bring a substantial rise in visitors, they will make Mykonos indistinguishable from other Mediterranean resorts.

Mr Vangelis Pelekis, a teacher campaigning against the council's plans, says: "The things that make Mykonos special are already being eroded. Even the nudist beaches have umbrellas and loungers and there are more fast-food joints than tavernas. The new plans are on such a big scale pledged to make Mykonos a that if they go ahead, this model of tourist develop- island will become as

less as the Spanish Costas." Mykonos once claimed a place in modern mythology as the island where Aristotle Onassis courted Jackie Kennedy, Yebudi Menuhin played the violin to friends on the terrace of his villa and several members of the Rolling Stones joined the nudists on a remote beach

known as SuperParadise. Mr Don Morgan, a New Yorker and regular visitor since his backpacking days in the 1970s, says; "The celebrities moved out as the package tourists moved in and made the place tawdry. There's still enough of the old Mykonos to keep you coming back, but I can't say for how much longer."

The airport runway has already been extended to take scheduled flights from European cities and a new terminal is planned. A second port - deep enough for cruise ships to dock - is under construction. It will be linked with a group of beach hotels by a new road bypassing the town centre. Tourism has certainly

they claim to have the high est per cepita income in Greece. Mykooos's annual foreign exchange earnings from tourism are estimated at about \$800m. The average income on Mykonos is estimated at more than \$50,000 a year compared with just over \$10,000 for Greece as a whole. Moreover, tighter building restrictions than elsewhere in the Aegean have pushed up property prices to levels comparable with Mayfair or Manhattan. And in spite of high land prices, a building boom is under way, with new houses going up all over Mykonos. Most are financed ont of income from Greece's flourishing underground economy, the islanders say. For a Greek doctor or lawyer, having a home there is indis-

potable proof of success. The town council claims that better infrastructure is crucial if Mykonos is to keep its share of Greece's tourism market at a time when the number of visitors to the country is falling and tourists are complaining about inefficient airports and poor

But the islanders remain divided over how much development Mykonos needs - or can endure. The sharpest arguments concern a plan for a 200-berth marina costing Dr1.9bn. Because demand for yacht berths in the eastern Mediterranean far outstrips supply. Greece's tourism authorities ara encouraging private investors to huild large marinas. But construction of a marina on Mykonos has been postponed because so many residents objected to the proposed site, a sheltered cove close to the town with a spectacular view of neighbouring islands.

Mr Nicos Palaiologos, a Mykonian who spends six months a year on the island, sums up the dissidents' view: "It comes down to a question of greed. We're threatened with the destruction of a uniquely beautiful piece of Aegean landscape so that the Mykonians can go on making more money.

This is the second in a series on places changed by mass

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from residers around the world. Letters may be fasted to +44 171-873 5998 (pieces set fire to fine), e.mail: letters.editor@fa.com Published letters are also available on the FF web site, http://www.FT.cum

Translation may be available for letters written in the main international larguages.

#### Cultural questions are begged by trends in US education

From Mr Robert Oakeshatt Str. The evidence about comparative graduation results cited from Sol Stern's The Invisible Miracle of Catholic Schools by Michael Prowse ("Liberating schools", July 29) is truly stunning. It surely calls out for the widest circulation and systematic further research. We need to know how far the relative numbers in New York City – the 95 per cent graduation rate in the Catholic schools versus

the 25 per cent in the public sector schools – are typical of those elsewhere in the US or reflect conditions more or ess specific to Manhattan. Wa also need to inquire

may be attributed to differances in what goes on in classrooms - including differences between teachers and what part to factors outside the school gates, above all to the quality of home life and of parental attention. According to a crude rule of thumb that has received some currency in recent years, if genetic inheritance is held constant, then parenting may be expected to

school factors. I simply don't know the empirical basis of that rule

account on average for 80 per cent of any difference in

school scores with the bal-

two percentage numbers could be successfully challenged. But wa can surely accept the enormous importance of the quality of parenting and the home envi-ronment. The latter will surely have a different effect on the young depending on whether its culture is dominated by the Murdoch tab-loids or the literature of the western Christian tradition. You don't have to be a paid up member of the Lord's Day

Observance Society to accept

the likelihood of that.

ance being dependent on in-Robert Oakeshott. Joh Ownership. Abford House.

Vote carries obligation From Mr Martin Young. Sir, Elections are due to

take place in Bosnia this coming Seplember. All Bosnians aged 18 or over, and who are listed in the 1991 ensus, are eligible to vote. Many Bosnians have flod their homeland and now live safely in the west. Many

have lost everything in Bosnia and have begun to make new lives in Britain and else-Those Bosnians who believe they can never return bome, or who simply

do not wish to return to a war-devestated country, must not vote in the forthcoming Bosnian elections. The agreement on elections in the Dayton Agreement states that "the exercise of a refugee's right to vote shall be interpreted as confirmation of his or her

intention to return to Bosnia

and Hercegovina" (Article

Bosnian asylum seekers who vote in Bosnian elections can expect a quick

return flight to Sarajevo.

5 Silver Crescent. London W4 5SF. UK

# Ignorance

From Mr Gregor Ritchie. Sir, I am grateful for the illumination provided by Iain Smith (Letters. July 31). As a rugby fan and also an Englishman, I am aware of the sometimes embarrassing high-handedness of the Rugby Football Union administrators. I am also aware that some people are arrogant, and others are not. What in my Ignorance I

had not yet learned was that not only are the "English" (in which nation I must include myself) arrogant, but also ignorant of the fact. Years ago I played at a modest club level with Scots against Scots and once for a Scots side, but none of them ever proffered such illumina-

I will add this to my Book of Certain Knowledge to join such items as: the French are snave and eat garlic. Germans are always first at the pool-side. Scots have red hair and kilts, and the Welsh are born singing.

Gregor Ritchie, Dr Crouch's Road,

#### London SW1V 1LT, UK what part of the difference of thumb. Very likely the

Risk of firearms errors being repeated

From Mr David T. Frost. Sir. Calling for a ban on handguns and further controls on shotguns prior to the report of Lord Cullen's inquiry risks the same errors as occurred after Hungerford ("Ban handguns", August 1). Then there was no inquiry and in consequence the legislation passed in 1988 was both inappropriate and inef-

Furthermore, implementation of the legislation by the police has shown significant shortcomings. In 1993 the report into the administration of firearms licensing by HM Inspector of Constabulary said some procedures "border on the discriminatory" and that the service being provided "varied between excellent and very inefficient". The evidence given to Lord Cullen suggests there were major short comings in central Scotland police procedures and that

the Dumblane killer. Thomas Hamilton, was unfit to own

firearms. A centralised and civilianised Firearms Licensing Authority would do much to improve matters. Firearms legislation in the

UK is already much stricter than in most other democracies and with minor changes and proper application should be adequate to the

David T. Frost. 4 Cherrycroft Drive. Naphill, High Wycombe, UK

#### Untenable position for manipulators

From Mr Christopher Gilbert. Sir, Nymex President Patrick Thompson (Letters, July 30), raises important issues in relation to the regulatory regime under which the London Metal Exchange operates. He complains about the LME's clearing system, but, because of the peculiar features of that system, the LME is the most heavily regulated of the London futures markets.

So it is difficult to argue that the LME is underregulated without implying a need for additional regulation throughout London.

A widely recognised problem is lhat cash market transactions on recognised futures exchanges remain unregulated. It is now clear that Mr Yasuo Hamanaka's copper trades were not the actions of an uncontrolled rogue trader but a deliberate authorities could impose in sustained manipulation.

Mr Heinz Deselaer has had a

ates on both the cash and futures markets, it is important to extend regulation to casb market transactions. More generally, the 1986 Financial Services Act. which was preoccupled by investor protection issues, failed explicitly to anticipate futures manipulation. As a consequence, regulation in the UK gives this a considerably lower priority than in the US. It is not even clear that futures manipulation is illegal in London.

However, individuals, often outside either UK or US jurisdiction, will always be tempted to manipulate prices to their advantage, and the issue is thus how exchanges may be assisted in their obligation to avoid

false prices. The most important change that the regulatory London is position reporting. Reporting alerts the Since a manipulator oper- exchange, the regulators and London E1 4NS, UK

build-np of positions which have manipulatory potential. Publication of aggregated position reports allows journalists to comment directly on facts rather than circumspectly on rumours. Lack of reporting gives London an apparent competitive advan-tage over US markets, but only at the cost of manipulations which undermine this

The need for reporting should have been learnt after the 1985 tin collapse. The Securities and Investments Board should take this opportunity to make this a requirement of recognised futures exchanges.

Christopher Gilbert professor of applied econometrics. Queen Mary and Westfield College (University of Mile End Road,

Eastcombe, Glos., UK

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rable with any other bank next door. security team like that, L-Bank is well The close ties that exist between Germany's Southwestern state and its development agency also make for for effective synergies in day-to-day operations. As a symbol of these links. the lions from the state coat of arms, dating back to the medieval Staufer dynasty, also appear in the L-Bank logo. With the might - and mane! - of a

protected, even in turbulent times. For more information, please contact: L-Bank, Schlossplatz 10/12 D-76113 Karlsruhe, Germany, Telephone INT 721/IS0-0

Landeskreditbank Baden-Württemberd

# Judy Dempsey on German anger at Britain and Brussels The bitter legacy of BSE

miserable six months. The 57-year-old beef farmer from Geldern, ln Germany's Rhineland, was all set to reap the benefits of a new cattle shed. He had intended to increase his herd and was expecting his beef sales. which amounted to DM1.2m in 1995, to rise sharply this

"But then came the BSE crisis," says Mr Deselaer, who has 350 bullocks on his 50-bectare farm. "It has been catastrophic. Prices have fallen from about DM6 a kilogram to DM4.80 (£2.10). And there are few signs of consumer confidence picking

Consumer confidence suffered a further blow yesterday when the German government said it would ask the European Commission's scientific veterinary committee to "review" Its measures for combating bovine spongiform encephalopathy (BSE), or mad cow disease. This followed the report by British scientists disclosed last week which showed that BSE can be transmitted from cows to

their calves.
Since the EU ban on Brit-ish beef exports was imposed in March - when Britain announced there was a probable link between BSE and Creutzfeldt-Jakob Disease, the fatal human brain condition - German beef sales have fallen about one third compared with last year. And according to Germany's farmers' federation, heef farmers are receiving between DM200 and DM300 less for each animal sent to slaughter.

Thie sudden decline occurred in spite of the fact that Germany was one of the smallest EU importers of UK heef hefore the ban. Last year it imported a mere 200 tonnes worth £600,000, out of total UK exports to the EU of 191,000 tonnes worth £457m. Increased prosperity and the rise of environmental

activism have made Ger-

mans acutely sensitive to beef; governments in the health hazards, and they are among the most cautious

Europeans when it comes to the safety of the food they "We just don't see any marked improvement in con-sumer confidence," says Mr

Jochen Borchert, Germany's agricultural minister. "Although the fall in consumption has halted, it may atart again following the British scientists' report on cows passing on the disease to their calves." The German government had already embarked on a big poster advertising campaign at supermarkets - and

even at the little Imbiss takeaway stands - to convince consumers it was safe to eat beef. Last week, in response to the most recent fears of contamination spreading to calves. Mr Borchert said Germany beef was completely "BSE-free". He said: "There is nothing to fear."
But the German federal

government faces an uphill task in its campaign. It is not only the ordinary consumer who is wary of eating The German farmers' view is that consumer confidence will

never pick up if there is the slightest risk to the public's health

Länder, or states, have obdurately refused to accept that any beef, domestic or imported, is safe to consume.

The Lander believe that

neither London nor Brussels have done nearly enough to reassure consumers. Heading the criticism is the state of North-Rhine Westphalia, governed by a coalition of the opposition Social Democratic Party and the Greens. Yesterday, Ms Barbel Höhn, its environment and agriculture minister, said the EU should never have agreed to a partial lifting of the export ban on British beef products. "I think it was a mistake by the EU to respond to Britain'e blockade policy [the UK's earlier policy of obstructing EU business] by relaxing its export ban, for example in regard to bull semen," Ms Höhn told German radio.

The EU agreed in June that a ban on exports of British beef and beef products would be lifted progressively as Britain started implementing a series of measures, including the Blaughter of cattle thought to be most at risk of catching the

"If the disease can be transmitted from generation to generation then semen is suspect again. We should seriously consider if we should not restore the stricter import ban that used to apply, or whether we should not extend it to milk products," added Ms Höhn, Ms Höhn's criticism of Brussels is echoed by the the key lhing," said Mr other states, as well as Ger- Borchert. He realises that many's regional farmers' associations. Mr Gerd Sonneoleitner, president of the to beefsteaks will take more

that the EU had "misled and covered up" about BSE. He added that his members would lose DM600m this year in sales. That same day, farmers from the north German state of Schleswig-Holstein hurned the Union Flag in protest against the EU's plans to ease the worldwide bar on British beef exports. The farmers' view is that consumer confidence will never pick up if there is the slightest risk to the pub-

lic's health. This opposition from the Lander and the farmers' associations has created a dilamma for the German government. It will find it difficult to implement the Brussels ruling to ease the ban on some British beef exports because the Lander can block these measures through the Bundesrat, the upper house of the German parliament where the opposition Social Democrats are in the majority.

Government officials also fear that even if other EU states support Germany's call for a scientific review of measures taken so far hy Brussels to combat BSE. Britain will revert to its pollcy of obstructionism. "The last thing we want is London blocking important decisions in the coming months," one senior government official

This leaves the German government with few options. It could, as German formers are demanding. agree on compensation for beef farmers that could mute their opposition to Bonn and

Brussels But as Mr Borchert himself admitted yesterday. compensation Itself is not s recipe for restoring con-Burner confidence. "Trust is wooing back the healthconscious German shopper Bavarian farmers' federa- than a scientific review in tion, spoke for many farmers Brussels.

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#### **COMMENT & ANALYSIS**

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday August 6 1996

# Doleful plan for US taxes

Years ago, the then Senator Bob to match the vague promise of Dole used to joke about a bus medium-term cuts in public full of supply-siders driving apending, contained in the over a cliff. That's the good news, he would say - the bad news is that there were two

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Ignorance

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These days you would be for-given for thinking that one of the empty seats belonged to Mr Dola himsalf. The economic plan he unvailed yesterday, trumpeted as a programme for revitalising the US economy, is less ambitious than the disastrous supply-side experiments of the 1990s.

Yet by endorsing the same logic - that one should "reduce taxes first, ask questions later" - the Republican presidential candidate has further dented his reputation for fiscal problty in the interests of reviving his campaign. Ha may yet come to wonder whether it was worth

Mr Dole promised a package of tax cuts costing \$548bn over six years. There is something for everyone in the plan, including a phased, 15 per cent across-the-board cut in marginal personal tax rates, a halving of the capital gains tax, and the much-touted \$500-per-child "family" tax credit. But he gave only a very rough idea of bow these cuts could be made conthese cuts could be made con-sistent with a pledge to balance the federal hudget by the polls, Mr Clinton has been

The costing of the programme economic growth and reduced tax evasion will between them net an extra \$147bn in revenues over the period. Second, that President Dole and his fellow recent hudget resolution. Third, that all this can be achieved without touching social accurity. Medicare and dafanca, which, together with interest payments, make up two-thirds

of federal spending.
In Mr Dole's defence it should be said that his assumptions are no rosier than many of past campaigns, hy both parties. President Bill Clinton has himself promised both a balanced budget and sizeable tax cnts. including the child tax credit which Mr Dola has now

Mr Dole's cuts are larger, and will be much more regressive in their effects than Mr Clinton's because they include a capital gains tax cut and they award the same percentage cut in marginal rates to all tampayers.

Bnt both plans contain the same fiction, that the federal budget can be effectively overhauled - whether for "Republican" or "Democrat" reasons without long-term reform of social security or Medicare. For his part Mr Dole is even promising to repeal Mr Clinton's very modest attempt at social security reform in his 1993 budget.

strikingly reluctant to challenge the standard US political orthorests on three very shaky doxies during the campaign. It assumptions. First, that faster is perhaps not surprising that Mr Dole, lagging far behind in the polls, should be equally timid. But, come November, it may be hard for voters to see why they should favour the wis-Republicans in Congress can dom of age and experience over come up with detailed proposals the hotheadedness of youth.

# Famine of digits

like old friends in the days why most of the important when detectives at country changes were not made in ona "Operator, get me Fambridge British Telecom was privatised, 2323". But country exchanges have long since been swallowed up in a blizzard of digits.

Digits proliferated as automatic exchanges and computers drove down costs, creating an explosion of demand for more telephones, more services and now for mobile phones.

As a result the UK is running orderly system in which differout of telephone numbers. To ent kinds of service will he remedy this, all UK numbers were changed on "Phone Day" in 1995 hy the addition of an extra digit. Little more than a allow London to be re-united year later. Oftel, the telecommn- under an 02 coda after the divinications regulator, is proposing sion six years ago into inner another complete set of number changes to exploit this digit.

Customera, who will he

Telephone numbers sounded ond time, may justifiably ask ouse murders would say: step. One answer is that when the government wrongly left it with the responsibility to allocate numbers. Only in 1994 did Oftel rescue the arcane science of numbering from specialist engineers and subject it to the tests of consumer interests.

its proposals, published yes-

terday, promise a much more

readily identifiable and dialling codes can apply to much wider areas. This will, for example, (071) and outer (081) parts. This was unpopular at the time. Now it appears unnecessary. Better required to change their lists, planning could have saved the datsbases and stationary a sec-

# Bosnia's test

As prospects for peace between Croats and Moslems in Mostar hang in the balance, much more is at stake than the future of one battered Balkan town. The behaviour of Mostar's hard-lina Croat nationalists, who have baulked at accepting the result of municipal elections which gave their Moslem adversaries a majority, is a deadly threat to the reconciliation process in Bosnia as a whole. If they are allowed to consolidate their control of the city's western half, all participants in next month's Bosnia-wida election will be encouraged to think they can ignore results that do not suit

Mostar is also a test case for the external policies of the European Union. The oversight of the city's administration and policing has since 1994 been much the most ambitious task undertaken by the EU's embryonic common foreign and security policy. But the city's fate should not now be seen as a matter of shoring up EU prestige; still less should it become an object of US-Europaan rivalry. On the contrary: a renewed Croat-Moslem conflict in Mostar can be staved off only if the US and its European allies co-operate energetically and in good faith.

The US has been more engaged than any of its allies in providing strategic and military advice to both Bosnia and Croa-

This gives it considerable levarage over Croat-Moslem relations, in particular, it must lean hard on Croatia's President Franjo Tudjman, whose high-handed behaviour bas often met a lenient response in

Washington.

The reasons for pessimism about Mostar apply equally to Bosnia as a whole. While liberal westerners might like to believe otherwise ethnically-based parties dominate all three of Bosma's communities. Even among the Bosnian Moslems, a party which makes no secret of putting Moslem interests first has crowded ont forces favouring inter-ethnic reconciliation.

This pre-eminence of ethnic parties cannot be reversed, but it can perhaps be mitigated. The international community should do everything it can to maximise the chances of Bosnia's struggling non-nationalist parties to win a substantial minority of votes in the election. The team headed by Mr Carl Bildt, the international mediator, has been working to open Bosnia's air waves to moderates on all sides. This effort needs moral and financial support from every western government.

Then the outside world must prepare for tough negotiations with the nationalist parties that will undoubtedly come out best on September 14. The most powerful lever is probably aconomic; the west can and should insist that its credits and reconstruction aid will be chanelled through the pan-Bosnian institotions that are supposed to be formed after the elections. Tha election victors will not lika working together, but even in the bitterest moments of the war, soma peculiar economic transactions - such as a thriv-ing Serb-Croat trade in fuel -

continued in secret. In Mostar and Bosnia as a whole, that spirit of cynicism can perhaps be harnessed to the cause of peace. Indeed that may be the west's only hope.

# Hot new product goes cold

The consumer electronics industry needs a boost from digital video discs but the launch has been dogged by disputes, says Alice Rawsthorn

aunches of new consumer alectronics DVD: a script for the future products are often Market forecasts problematic: the video recorder's dabnt triggered a war over rival technologies; and sales of highly publicised innovations such as digital audio tape and digital compact cassettes have been disappoint-

Digital video disc (DVD) was supposed to be different. Claiming to have learnt from their mistakes, the world's consumer elec-tronics companies were determined to orchestrate a smooth launch for the discs, which look like audio CDs but can be used for storing data or

playing films and music. Yet only a few weeks before the scheduled debut of the first DVD entertainment systems in September, the plans for DVD are in tatters. The electronics industry is still struggling to clinch an agreement on copyright protec-tion with the film and computing sectors. Last week Sony and Philipa clashed openly with rival manufacturers over the licensing arrangements for the new tech-

"It's a mess," admits one senior electronics executive. "There's no point in us bringing out hardware, unless there's software for consumers to huy, but we don't know when that'll happen. And if ever there was a time when the industry needed a hot new product - it's now."

The final point is indisputable. Consumer electronics has historically been a cyclical industry and is now in a sluggish phase. Sales of the video recorders and audio CDs that drove its growth in the 1980s bave reached maturity. Manufacturers have diversified into computer components, such as CD-Rom drives and PC screens, and developed some successful new products, notably widescreen televisions and digital

Despite these innovations, personal computers and video games bave taken a progressively higher share of household expenditure. And the companies that have dominated consumer electronics since the 1950s - Matsushita, Sony and Toshiba of Japan, France's Thomson and Philips of the Netherlands - face flerce competition from new rivals in emerging Asian economies. and LG of South Korea, are driving down prices worldwide and making it difficult for established manufacturers to move into fastgrowing south-east Asian mar-

Mr Yoshiharu Izumi, electronics analyst at UBS Securities in Tokyo, says the industry badly needs "a successful new product" to unlock the victous cycle of "competing for market share solely on price". Digital video disc promises to be such a product, and electronics manufacturers invested beavily in its development during the early 1990s.

One version of the disc will be used in DVD entertainment systems, which will work like highly sophisticated VCRs with superior sound, picture quality and facilities such as foreign language soundtracks. The electronics industry hopes these systems will have the same catalytic effect on the video market as audio CD did on hi-fi equipment

sales in the 1980s.
The second version of the disc



age. DVD-Rom is not only expec- ita's VHS system. But the row 20,000 DVD entertainment ted to create a lucrative source of still pushed back DVD's debut by sales but should also help electronics manufacturers forge a closer rapport with the dynamic computing sector, as Sony has done with its highly successful PlayStation video game system.

However, the high bopes for DVD were jarred by an embarrassing row last summer when Sony and Philips clashed with the rest of the industry over technical specifications. At stake was corporate pride and the royalties payshle to the owners of the patented technology. Sony and Philips are believed jointly to earn \$500m (£322.6m) a year from audio CD patents.

This time they were forced to hack down and sceept a discdominated by Toshiba technology as the industry standard, rather battle when Sony fought unsucis DVD-Rom, which harnesses its cessfully to establish Betamax as

three months to September this

The delay was inconvenient, as electronics companies prefer to introduce new products before the final quarter of the year, by far the busiest period, secounting for 40 per cent of retail sales However, they still had enough time to get DVD into the shops before Christmas. Toshiba, Matsushita and Thomson pressed abead with plans to launch the first DVD entertainment systems in September, with DVD-Rom scheduled to emerge early next year. Other companies, including Sony and Philips, planned their

launches a few months later. Despite the delay, the sales forecasts for DVD remained optimistic. BZW Securities in Tokyo than risk a repetition of the VCR predicted hardware and software sales of Y155bn (£94.5m) this year, rising to Y2,025bn by 2000. memory capacity for data stor- the standard against Matsush- when 30,000 DVD-Rom units and

systems would be sold. But the electronics industry

had yet to finalise negotiations with the US movie studios over copyright protection. The early signals were encouraging, not least because Hollywood was convinced that DVD was so superior to video cassettes that consumers would be tempted to buy favourite films on the oew discs, rather than renting them on video. Hence the studios could replace their low margin video rental husiness with a profitable new software market. But Hollywood also had serious

concerns, specifically about the advanced DVD entertainment systems due to go on sale in 1998 with a recording facility. This raised the threat of pirates running off thousands of near-perfect digital copies of television broadcasts and illegally procured films. The studios were determined to take a tough stance and by March this year the electronics industry, still anxious to meet its September release schedule, had agreed to various concessions, notably that different formats of the disc should be sold in various parts of the world.

The electronics and entertainment camps theo ran into vehement opposition from the com-puter industry, which was simultaneously negotiating uver DVD-Rum. If these computer discs are to be successful, they will need a flexible copying facil-ity, something that Hollywood is unwilling to sanction for fear that it could be abused by film

The three camps have been locked in negutiations for months, but have so far failed to resolve the conflicting requirements of DVD and DVD-Rom. The electronics industry unveiled another rompromise proposal late last month and is awaiting a

Matsushita. Thomson and Toshiba still hope to introduce DVD entertainment systems hefore the end of the year, although they accept that a September debut is now impossible. In theory they could introduce DVD without a copyright agreement on a limited range of software, hut a "breakaway" launch might anger other manufacturers and imperil DVD's long-term prospects. "The success of the product would be more at risk if the three industries do not take the time to thoroughly resolve lbeir differences," waros Mr

he electronics indus-try's preferred scethe agreement of the entertainmenl and computing factions and proceeds towards an orderly launch. The chances of this were not improved by last week's news that Sony and Philips were breaking ranks by licensing their patents independently. This has infuriated the rest of the industry, which favours a collective licensing process.

Assuming that a compromise can be agreed on copyright pro-tection, it should be possible to ship DVD hardware into stores fairly swiftly. Most manufacturers are already geared up to start production. But it may take longer for the Hollywood studios to deliver the software, as they are less well-prepared.

If the copyright discussions drag on much longer, it may prove impossible to introduce DVD before Christmas, Manufacturers would face a difficult choice between launching in the less buoyant spring period, or delaying DVD's debut for another year to hit the final quarter of

1997. There are no other new electronics products in the pipeline with such strong sales poteotial as DVD entertainment systems. And a lengthy delay could damage the DVD-Rom's prospects. A coosortium led hy Japan's Fujitsu (including Sony and Philips) is now finalising plans to introduce a more expensive computer disc with twice as much

memory capacity late next year. To make matters worse, when the electronics companies have resolved the DVD copyright problem, they will face another battle over the same issue once they start talks with the music industry over the launch of the audio version of digital disc.

# OBSERVER

#### Duff notes at the opera

The best symphony orchestra in the world? Possibly But the Vienna Philharmonic wins no prizes on the political correctness score. For 150 years: the Vienna Phil has refused to allow women into its ranks. It shows no sign of slacking. Lest week, Rudolf Scholten. the Austrian minister for transportation and the arts, threatened to cancel the orchestra's public subsidies if it did not open up to female

musiciaus.
The orchestra immediately bit back in anger against the "blackmailing". If the state forced them to take in women, the artistic standards of the orchestra, nay Austria's cultural integrity, would be under threat.

So what exactly have they got against the distaff side? Well, women on tour would distract the men and would cause friction, they claim Male musiciens would feel obliged to carry heavy instruments for their female colleagues, for

The orchestre is registered as a private club, so the government's powers are limited to withdrawal of the annual. state subsidy of Sch2.5m. received for playing every night at the State Opera in Vienna. overtime, while Yeltsin's aides try to make out that he is simply

The orchestra hardly depends on suffering from "colossal the subsidy anyway. suffering from "colossal tiredness". He is still in fine the subsidy anyway.

A decade ago, the Berlin Philharmonic fought a similar battle, and was ultimately forcedto accept women by its chief conductor, Herbert von Karajan, who almost resigned over the

-Karajan is long dead - and the stubbornly independent Vienna Philharmonic has not been prepared to submit to a chief conductor for decades.

#### Quick cuts

The mood in Moscow grows more surreal by tha day as Boris Yelisin's inauguration approaches. The Kremlin fixers are now planning to cut Friday's historic ceremony from one hour to 30 minutes - presumably to save Yeltsin from excessive. exertions.

The inauguration had promised to be a good bash. After all, it will be the first time in Russia's history as a sovereign nation that an elected leader will be sworn into office. Special anthems had been composed for the occasion and there were certain to be more than a few tots of chilled vodka. However, Yeltsin has not been seen by the general public since

being re-elected on July 3. The rumour-mill continues to work

intellectual form, they attest. At the same time, even the most nessimistic observers believe the inauguration is bound to go ahead. As cynical Russian journalists are fond of remarking in private, if not in print, there is nothing in the constitution to stop e dead man from becoming president.

#### Off colour

One foiled, at least. The British Home Office announced yesterday that due to the extraordinary powers of perception of its prison officers. an armed robber's attempt to escape from Parkhurst prison on the Isle of Wight had been

It seems the inmate, serving a six-year sentence, spent two days colouring his body with a finorescent yellow felt pen to make his warders think he had jaundice. He boped that, once transfered to a hospital bed, be would find it essier to scurry down the corridor to freedom.

The plan failed at its most vulnerable point - when a prison officer looked into his cell and saw the inmate colouring his face. "He bad carefully painted all his body - even his private parts," one warder said.
"He had made such a good job of It. He was a very bright yellow

indeed. He would probably have died from jaundice if be was suffering an attack so severe that it turned his skin that colour."

#### Sock it to 'em

■ Lufthansa, the German airline which lost height e bit in terms of its first-half earnings, is working its socks off to reduce costs. But, in the course of its drive to cut DM190m from the 1996 outlay, it is trying its hardest not to tread on toes. One area coming under the

spotlight is the tha greyish-brownish towelling "tube sock" - that device handed out in pairs to first and business class passengers that dispenses with both toe and heel in the name of mid-air comfort. Lufthansa has decided that its

socks are "over-specified" - and that it can shave DM800,000 from the DM2m annual sock spend by reducing the 13 pages of instructions currently forwarded to the manufacturer to ensure the tube is correctly fashioned. Not that customers will be

expected to suffer the confines of their Gucci loafers for the duration of the journey. They will just be offered a rather less complexly crafted affair, which tha airline insists will be equally kind on the toes.

A thought occurs. That Wurst stuff - a mite overspecified?

# Ginancial Times

#### 100 years ago

**Business Education** Switzerland, not content with being the "playground of Europe," seems to be devoting a good deal of money and attention to the education of its youths in sound commercial principles. Schools and societies are subsidised on certain conditions by the State, and purses are granted to poor and deserving scholars to enable them to continue their studies either at home or abroad. The students who go to other countries, we learn. are encouraged to enter banks or other houses of business. and, at the same time, to attend classes at the universities of such countries and they are bound to furnish

#### 50 years ago **United States Prospect**

a half-yearly report of their

The new American Price Control Bill appears to have satisfied nobody. It has not removed labour's fears of undue restriction in profit margins. On balance, it possibly finds a little more favour with industry than with labour because it is more flexible and will yield more readily to the powerful forces making for higher prices. President Truman, however, fears that it will yield too easily to these forces and has threatened to recall Congress.

**€** KHODER

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# Croats refuse to move on Mostar

By Laura Silber in Belgrade

night on the brink of abandoning its two-year mission to reunify the town of Mostar after Croats refused to accept the results of city elections which they lost to their Bosnian Moslem rivals.

European mediators let a deadline of 5pm GMT yesterday pass without announcement after having extended an earlier deadline of midnight on Saturday as they scramhled to put together a compromise.

Mr Carl Bildt, the international mediator, said that the EU should not make any con-cessions on Mostar. "We are not in the deadline extension business," he said. "It is a matter of principle and we cannot out consequences for Croatia."

EU on brink of abandoning The European Union was last effort to reunify Bosnian town

> Mr Franjo Tudjman, the Croetian president, and extremists in Mostar have rejected international pressure to join the city council after Moslems won a narrow victory in June elections. The Croats on Sunday submitted a compromise proposal, but it was not accepted by Moslem officials.

Both the EU and the US yesterday mada plain their frustration with Croat intransigence. Mr Costas Verros, an EU spokesman, said: "The whole eltuation in Mostar influences the situation in Bosnia . . . we regret the attitude of the Bosnian Croats."

The Croat boycott of the city council casts a pall over a

Mostar, which until 1994 was the scene of the most bitter fighting in the 10-month Croat

war against the Moslems.

The Mostar stalemate has weakened the Moslem-Croat Federation which, according to the Dayton plan, covers 51 per cent of Bosnia, leaving the rest to the Bosnian Serbs.

"The federation is going backwards - with local tension building in a very worrying way. There has been no progress whatsoever in creating joint governing institutions, Mr Bildt said.

The stand-off would spell doom for tha final phase of the Dayton accords after the Septemher alections, whan the parties are due to build joint governing institutions with the Bosnian Serbs.

Editorial Comment, Page 11

#### **Dole plans** \$548bn in tax cuts

Continued from Page 1

ment to the US constitution to ensure that future administrations would be forced to eliminate the deficit.

Even before he spoke, Whita House officials condemned the proposals, drawing unflattering parallels with former President Ronaid Reagan's tax plans in the 1980 election campaign. "Why should we try something that we tried in the early '80s that basically quadrupled the national debt?" asked Mr Leon Panetta, White House chief of staff.

Opinion polls show that cutting the federal deficit is a high priority for many American voters, who regularly voice concern at the hurden of debt on future generations. But polls also show that

most voters are sceptical of politicians' promises - especially when they involve tax cuts. The Dole campaign debated until the very last moment how to overcome this cynicism, whether by announcing the repeal of the 1990 and 1993 tax increases or an across-the-board cut. Aides said yesterday a 15 per cent cut would yield the same tax rates as repealing those rises, but might be easier to sell

# Malaysia warns of import controls to tackle deficit

Bosnia-wide poll set for Sep-

tember 14. Mr Bildt stressed

that any EU concessions to the

Croats "would be an open invi-

tstion to each party and every-

ons to renegotiate elections or

refuse to implement the

results". He made clear that ha would take a dim view of an

EU climbdown, saying with-

drawal from Mostar would be

preferable to accepting the

Croat boycott. Negotiations

were yesterday under way for

the International Police Task

Force (IPTF), created by the

UN under the Dayton peaca

A withdrawal would mean another defeat for efforts to

unify Croats and Moslems in

plan, to take over in Mostar.

By James Kynge in Kuala Lumpur

The Malaysian government warned yesterday that import controls might be imposed if a government-sponsored voluntary restraint scheme failed to cut the country's current account deficit.

Dr Mahathir Mohamad, prime minister, said yesterday quotas and import permits might be introduced to curb imports of non-essential goods. Increasing customs duties would be a better way of reducing imports than raising domestic interest rates, he sald, because domestic rate rises could damp investment.

The Malaysian leader's

warning comes as several east

Asian countries, including Thailand and South Korea, are experiencing a slowdown in export growth rate this year after enjoying rapid expansion. He did not indicate when such controls might be implemented, nor did he make clear which "non-essential" goods might be subject to import controls. Observers said expensive cars, clothes and alcohol would be the most likely candidates

contradicted previous assur-ances from Malaysian officials, goode. But while export announced.



including Ms Rafidah Aziz, minister for international trade and industry, that controls would not be imposed on imports. Observers said Dr Mahathir's apparent change of heart reflected concern within the government over the current account deficit.

Last year, Malaysia's current account deficit touched M\$17.8bn (\$7.1bn), which one of the country's top thinktanks last week forecast would rise to M\$19.2bn this year.

The main reason for the worsening trend was a recent decline in exports, triggered Dr Mahathir's statement mainly by a slowdown in

Malaysia's deficit in the services component of the current account is likely to continue to

The current account deficit, which last year accounted for 8.8 per cent of gross national product, tends to apply down-ward pressure to the value of the ringgit. It indicates the country may be spending beyond its means and could run into debt difficulties.

There was, however, some brighter oews yesterday as Malaysia recorded e trade surplus of M\$238.2m in May, against a deficit of M\$253.9m in April and a M\$1.34bn deficit

in May 1995.

The share price of Tenaga Nasional, Malaysia's semi-privatised electricity utility, fell sharply yesterday after a near nationwide blackout at the weekend. Tenaga's chares, which account for nearly 10 per cent of the Malaysian stock market's capitalisation. closed down 4.41 per cent at M\$9.75.

The blackout was an embarrassment for the Malaysian government, which last week launched a "Super-Corridor" designed to attract technology investment. The exact cause of the blackout has not yet been

#### THE LEX COLUMN

# Sedentary Swiss

UBS has had a cracking first half. Booyed by rising financial markets, profits shot ahead by a third to SFrl.1bn (\$0.91bn). Yet the Swiss bank's return on equity remains stuck at a dismal 9 per cent. That compares with 23 per cent at HSBC, which also reported yesterday, and 30 per cent at Lloyds TSB. One reason for the discrepancy is

the poor state of the Swiss banking market. A 76 per cent increase in loan loss provisions recognises that bad debts have started spilling over from the property sector to the rest of industry. With the Swiss econ-omy expected to remain weak, provisions will continue to climb. But UBS'a rivals are tackling this problem with more vigour. Swiss Bank Corporation has reduced its domestic axposure by buying foreign investment banks such as SG Warburg. CS Holding last month renewed the attack on its Swiss cost base by announcing the merger of its Credit Suisse and Volksbank

retail networks.
UBS'a ceutious approach puts it in danger of falling behind on both counts. Its cost-cutting at home has been too gentle so far. CS will com-mand a greater market share in Switzerland with 30 per cent fer branches following its reorganisa-

Overseas, UBS appears committed to organic expansion. That should prevent expensive mistakes, hut the returns will be slow to come through. With such a conservative strategy, UBS certainly does not need all its capital Handing some back to shareholders would boost their returns and its own.

#### BA/USAir

Poor old British Airways. Nobody s terribly interested in the company's first quarter results; all they want to know about is the apparent collapse of BA's relationship with USAir. But BA investors need not fret too much about the debacle. For a start, whatever USAir says, the strength of a BA-USAir-American Airlines partnership gives all three partners a powerful incentive to join up. By making a fuss, USAir may simply be hoping to gain some negotiating leverage to get into the BA-American alliance on better terms.

Equally, USAir may genuinely believe it can find a better alliance elsewhere. But even so, losing the USAir alliance would not do too much damage to BA. If it had to sell its stake, it would almost certainly

UBS Share price relative to the SMF inches Scarce FF Files

collect a profit on its written-down value. And although it would lose passengers coming from USAir flights - said to be worth \$100m a year - BA would probably not find it difficult to attract another US partner, besides American, if it

All this makes the depressed per formance of BA's share price curious. Since the plan to ally with American was announced, it has underperformed the market; on the basis of this year's expected earnings it is trading at a 20 per cent discount. True, the shares had a good run before the American deal was announced. And regulators will doubtless demand some hefty conditions as the price of their agreement. But to price in next to no upside for the alliance looks unduly

#### **HSBC**

Yesterday's 4 per cent rise in HSBC's share price in response to a sparkling set of interim results was amply justified. Even stripping out fat one-off profits from asset sales, there was plenty of good news on the performance of the underlying

For a start, margins in Hong Kong rose, defying bearish expecta-tions. Meanwhile in the UK, the sharp fall in Midland Bank's cost-income ratio is distinctly welcome. No wonder the air is thick with the sound of analysts increasing their

The real question is whether they should upgrade their ratings as well. At a little under 10 times this year's expected earnings, the shares are trading at only a marginal premium over, say, Barclays. Argu-

ably, such a premium is justified or the grounds of geographic spread alone, which should mean HSBC's carnings stream is of higher qual ity. But even if investors do not give it credit for that, the current multiple clearly gives HSBC pro-cious little credit for its formidable presence in fast-growing Asia. True. HSBC's heavy dependence on Hong Kong justifies some risk premium But so it should for Hang Seng Bank, in which HSBC has a 61 per cent stake; this does not prevent investors valuing it at 16 times this year's expected earnings. Such s sky high rating for the whole of HSBC would be absurd. But consider that 55 per cent of HSBC's profits are generated in Asia, and the oddity of its current rating is

#### UK cable television

It is easy to see why UK cable companies have become such an unfashionable investment. Tele-West Communications yesterday revealed it was losing 36 per cent of its customers a year, while only one in five households within its network has signed np. Given that £1.7bn will be tied up in the system by the end of this year, this points to an alarmingly low return on capital. So it is unsurprising that its shares have fallen 21 per cent since their November 1994 flotation.

Nonetheless, the outlook is undoubtedly improving. A range of new services will start to emerge next year, at a time when more than two-thirds of the network will have been built. The portability of telephone numbers should encour age telecoms users. The launch of a high-speed Internet service will broaden the appeal of the network. Meanwhile, video-on-demand should enable cable operators to make substantial inroads into the video rentals market.

There is also considerable scope for reducing operating costs and boosting negotiating muscle with the big programme suppliers through consolidation.

A friendly merger between Nynex and Telewest is an obvious etep. While this would offer few immediate gains for shareholders, industry consolidation must improve performance in the long term.

The problem is that it would be some time before these benefits showed through in profit figures, and so far investors in the cable industry have been taught to take little on trust.

# Chinese to purchase advanced military radars

FT WEATHER GUIDE

Continued from Page 1

airborne early warning for its fighters and radar cover for its ships. However, it quickly made a decision after two US aircraft-carrier battle groups staged high-profile exercises in the Taiwan Strait during the recent Taiwanese presidential elections.

The improved radar cover will give China Improved warning of any impending attack, but it will also allow it

South China Sea.

As well as improving its radar capabilities, China is looking to update its Russian designed MiG 21 Jets, dating from the 1960s, with new Russian Su 27 "Flanker" fighters. China has long-term plans to huy 72 Flankers, which rival the best western combat aircraft.

Racal's Searchwater radar is horizon. The radar will be used by the Royal Air Force in manufactured at Racal Racal's Searchwater radar is

HIGH

to deploy naval task groups its Nimrod maritime patrol more aggressively in the aircraft, which hunt hostile submarines. The latest generato be worth £40m. tion of the radar, Searchwater

> RAF's £1.8bn (\$2.8bn) replacement maritime patrol aircraft which was ordered last month. Searchwater is also used on Royal Navy Sea King helicopters, where they are used to give task groops a view of potential threats over the

2000, was also selected for the

Thorn's factory at Crawley in Sussex, in a contract thought

The increased capacity of the Chinese military is likely to be used by other south-east Asian countries to press the US to supply them with sophisticated weapons such as advanced medinm-range air-to-air missiles. The US has so far refused to allow such weapons into the area for fear of starting a regional arms

#### Recommended Offer

**Baring Brothers International Limited** on behalf of

Whitbread PLC

for The Pelican Group PLC

Baring Brothers International Limited announces on behalf of Whithread PLC that, by means of a formal offer document dated and despatched 5th August, 1996, Barings has made a recommended offer on behalf of Whithread to acquire the whole of the issued and to be issued share capital of The Pelican Group PLC. Terms defined in the Offer Document have the same meanings in this advertisement.

The Offer is on the following basis: for each Polican Share

17

The Office values the fully diluted share capital of Polican at approximately £153 million

Pelican Shareholders (other than certain overseas shareholders) who accept the Offer may elect to receive Loan Notes to be issued by Whithread in lieu of all or part of the cash consideration to which they would otherwise be entitled under the Offer, on the following basis: for every £1 of cash consideration

£1 nominal in Loan Notes.

Fractional entitlements to Loan Notes will be disregarded. The Loan Notes will be transferable, but no application is intended to be made for the Loan Notes to be listed or dealt in on any stock exchange. The Loan Notes will not be secured or guaranteed.

In addition, accepting Shareholders on the register of Pelican on 16th July, 1996, will be entitled to retain the proposed final dividend of 1.35p (net) per Pelican Share for the year ended 51st March, 1996 to be paid on 5th Seatember, 1996.

proposed final dividend of 1.30p (net) per remains to the first per remains to the first per remains and conditions of the Offer and the Loss Note Alternative are set out in the Offer Document and the Form of Acceptance. Accepting Pelican Shareholders may rely only upon the Offer Document and Form of Acceptance for all the terms and conditions of the Offer.

The first because of this advertisement, extended to all persons to whom the Offer Document may not the Offer Document

Form of Acceptance for all the terms and conditions of the Offer.

The Offer is, by means of this advertisement, extended to all persons to whom the Offer Document may not be despatched, who hold, or who are entitled to have allotted or issued to them, Pelican Shares. Copies of the Offer Document and Form of Acceptance are available for collection during normal business hours from Lloyds Bank Registrars, Antholin House, 71 Queen Street, London ECAN 18L.

Acceptances of the Offer should be received by no later than \$1.09 p.m. on Tuesday, 27th August, 1996 (or such later tisse(s) and/or date(s) as Whithread any, subject to the rules of the Code, decide).

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia or Japan or to any North American Person or resident of Australia or Japan by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or of any facility of a national state or other securities exchange of, the United States, Canada, Australia or Japan. This includes, but is not limited to, facsimile transmission, telex and telephone.

eschange of, the United States, Canada, Anstralia or Japan. This includes, but is not limited to, facsimile transmission, telex and telephone.

Accordingly, copies of the Offier document, the Form of Acceptance, and any related offer documents are not being, and must not be, mailed or otherwise distributed or sent in, into or from the United States, Canada, Australia or Japan including to Pelican Sharebolders or participants in the Pelican Share Option Scheme with registered addresses in the United States, Canada, Australia or Japan or to persons whom Whithread knows, or has reason to believe, to be custodians, trustees or nominess holding Pelican Shares for porsons with addresses in the United States, Canada, Australia or Japan Persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not distribute, mail or send them in, into or from the United States, Canada, Australia or Japan, or use the United States, Canada, Australia or Japan, or we the United States, Canada, Australia or Japan, or we the United States, Canada, Australia or Japan, or we the United States, Canada, Australia or Japan, or purpose, directly or indirectly, in commercion with the Office, and so doing will invalidate any related purported acceptance of the Office. Persons withing to accept the Office must not use the United States, Canadian, Australia or Japanses mails or any such means, instrumentality or facility for any purpose, directly or indirectly, relating to acceptance of the Office. Persons withing to accept the Office must not use the United States, Canada, Australia or Japan er or the received or documents of the United States, Canada, Australia or Japan for the received or the Consideration to which they are entitled under the Office of for the return of Forms of Acceptance, share cordicans or other documents of dide.

The Loss Notes have not been and will not be registered under the United States, the relevant clearances have not been and will not be registered under the securities l

Funds stating for Whithread in connection with the Offer and no one else and will not be responsible to anyone other than Whithread for providing the protections afforded to Barings' customers or for giving dvice in relation to the Offer.

advice in relaion to the core;

The directors of Whithread accept responsibility for the information contained in this advertisement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts and does not cent anything likely to affect the import of such information.

#### Europe today

Scotland and England will have some thunderstorms. Northern Ireland will have localised showers and sunny spells.

In Scandinavia, it is expected to be sunny and dry. Temperatures will be Western Europe will have scattered thunderstorms -- particularly in

northern Spain, Portugal, France, the

in the Benelux. Poland and north-east Germany will remain dry with temperatures reaching 25C. Rain and thunderstorms are expected over Belarus, Ukraine and Russla. The Mediterranean will continue to be

Five-day forecast

sunny and warm.

The UK will remain unsettled. Rain and thunderstorms will continue on Wednesday over western Europe. During the second half of the week, showers will move towards central and eastern Europe. The Mediterranean will remain sunny

TODAY'S TEMPERATU

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